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STATEMENTS

OF

HENRY B. THOMPSON

*Chairman of the Advisory Committee on Dyes of the War Trade
Board Section of the State Department*

AND

ALBERT M. PATTERSON

President of the Textile Alliance

AND

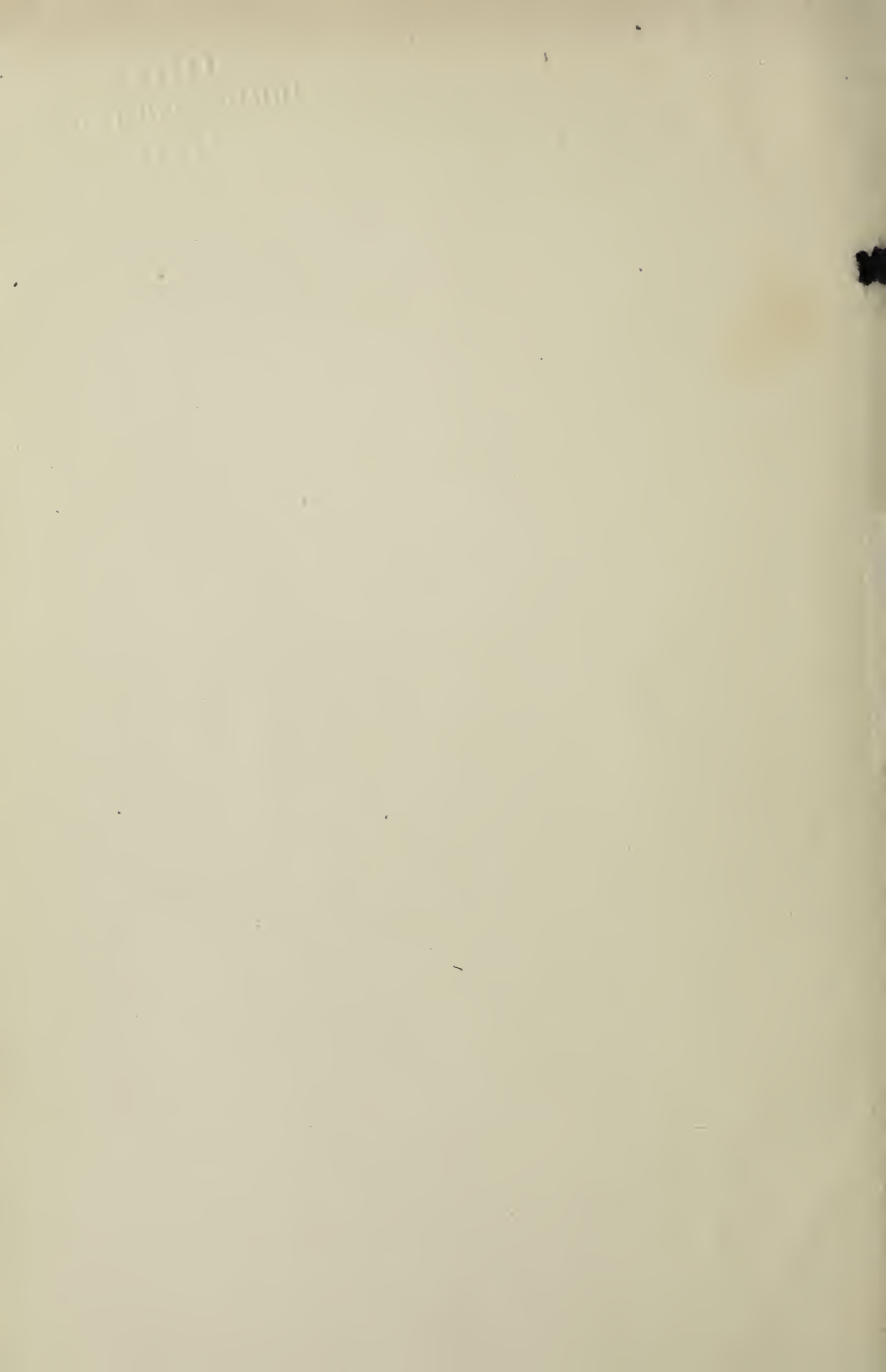
DOCUMENTS

PRESENTED BY

FRANCIS P. GARVAN

Alien Property Custodian

AS TAKEN FROM THE OFFICIAL RECORD OF THE
HEARING ON THE LONGWORTH BILL BEFORE
THE SUBCOMMITTEE OF THE SENATE FINANCE
COMMITTEE ON SATURDAY, DECEMBER 13, 1919.



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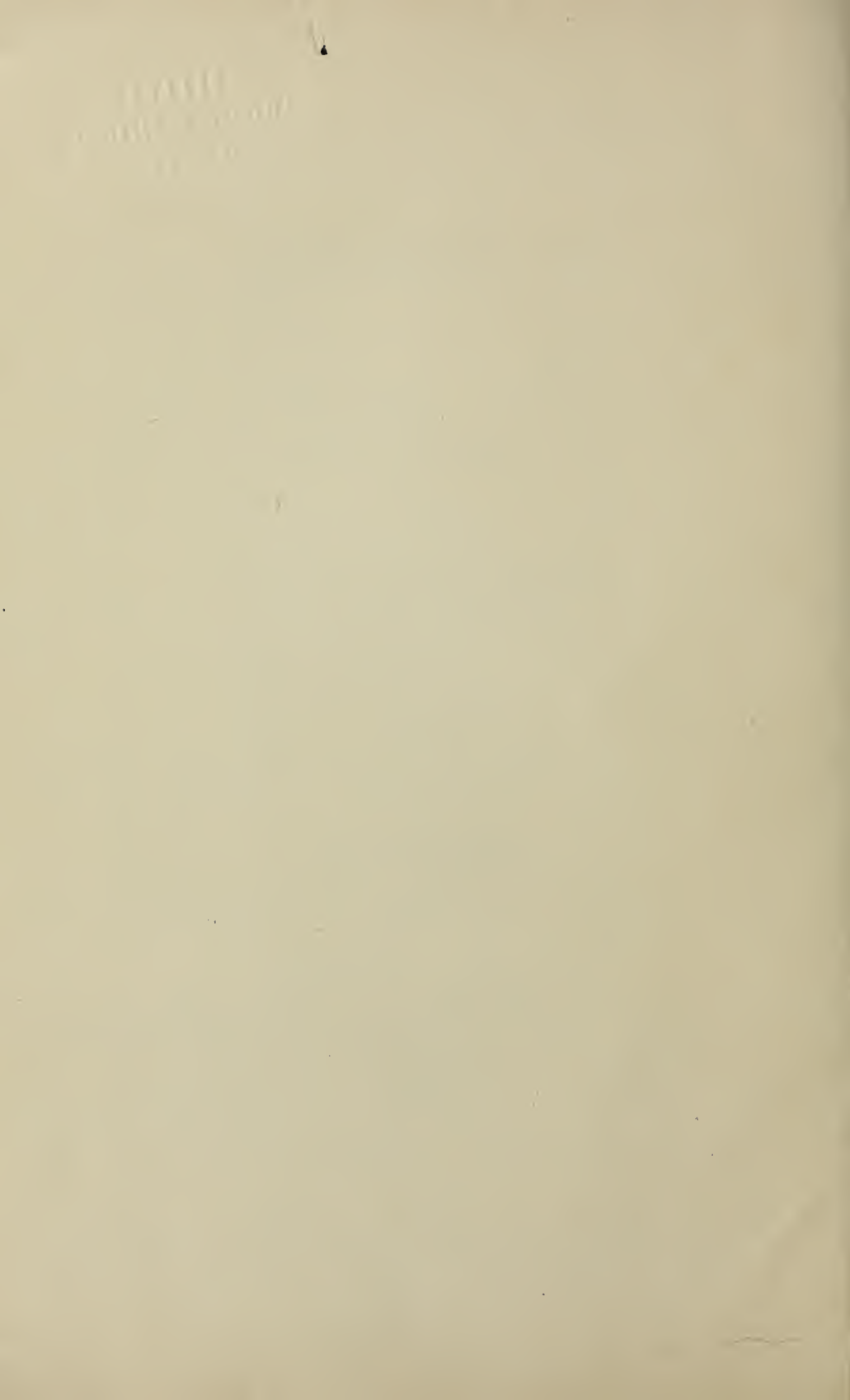
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REMOTE STORAGE

STATEMENT OF MR. FRANCIS P. GARVAN, ALIEN PROPERTY CUSTODIAN

Senator Curtis. Please state your name name and occupation to the reporter.

Mr. Garvan. My name is Francis P. Garvan, Alien Property Custodian.

Senator Curtis. We shall be glad to hear anything you may wish to say.

Mr. Garvan. I feel that it has become necessary for me to come here and testify, as my personality has been injected into this discussion because of the position that I happened to occupy during this war. There are certain things within the knowledge of the Government which it is my duty to place before you, and which bear upon the legislation you are now considering.

I have no desire to enter into any personality or any dispute with any one, and I have gone over my papers and I think I have eliminated everything I could which mentioned any individual.

However, to illustrate my point, there are certain documents which I must lay before your committee, and I wish you to consider that my entire motive and my only motive is, that you should know the historical background of this legislation and of this necessity upon which you are asked to legislate.

When we went into the Alien Property Custodian's office, among the first things we were asked to take over were the agencies of the German dye works here. That caused us to study the history of the relation between this country and Germany. We found that immediately upon the declaration of war, to-wit, August 1, 1914, a dye embargo—

Senator Nugent (interposing). To whom do you refer when you say we?

Mr. Garvan. The Alien Property Custodian. I was then at the head of the Bureau of Investigation of the Alien Property Custodian. I came here some time in November, 1917, shortly after the declaration of war, right after the act was enacted. This was immediately upon the declaration of the great war in August, 1914.

Germany declared an embargo on dyestuffs. That only lasted a few days. On August 31 Germany repealed her embargo and her policy from time to time varied, as it seemed to her interests

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to either allow dyestuffs to go out or to cut them off altogether. But there were two shipments of dyestuffs allowed to this country subsequent to the declaration of the war, on the *Mantanas*, and the steamship *Sun*. This was about a month and a half supply.

Senator Nugent. When were those shipments made?

Mr. Garvan. In October of 1914, or about that time. Later efforts were made to bring other shipments of dyes, but they were not successful. Then there arose a demand in this country that some position be taken by our government in regard to the English blockade, and there arose from Germany a demand that in return for the relief to America by the importation of dyestuffs, that she should change her policy—or diplomatic policy towards England in reference to the blockade.

That culminated on March 6, 1915, in the following letter being served upon the Secretary of State, Hon. William J. Bryan, Secretary of State, Washington, D. C. The letter is as follows:

OFFICE OF
HERMAN A. METZ

122 Hudson Street,
New York, March 6, 1915.

HON. WILLIAM J. BRYAN,
Secretary of State,
Washington, D. C.

MY DEAR MR. BRYAN:

Referring to my letter of yesterday regarding the dyestuff situation, I beg to say that I received the following cable this morning from Germany via Milan: "Latest developments make further shipments dyestuffs impossible." The cable was sent to me by Dr. Adolph Haeuser, the president of the "Verein zur Wahrung der Interessen der Chemischen Industrie Deutschlands," which is composed of the various chemical and dyestuff manufacturers of Germany, with headquarters in Berlin, and shows the attitude of German manufacturers of dyestuffs in the present crisis.

It is safe to assume that they will take every precaution and go to any length to prevent their products reaching consumers of enemy countries, and unless some agreement can be reached to have the present condition modified, the manufacturers of this country will suffer fully as much as those of belligerent countries.

Yours very truly,

(Signed) H. A. METZ.

That was the first official notice served upon this Government that our necessity for dyes would not be satisfied by Germany without a variation of our policy towards England.

Mr. Metz. May I say that at that time that letter was written at the request of the State Department. They had requested me to do that.

Mr. Garvan (continuing). The next paper which I wish to show will show that the policy rapidly developed to force pressure upon our Government by reason of the necessities of the dye users in this country. The condition of the dye users had become quite acute. This paper was taken from the files of Dr. Albert. It is a telegram to the Foreign Office in Berlin. This letter decoded reads as follows:

"Serial No. 432 of March 13, 1915. It is reported to me by Hossenfelder,"

who was the trade counselor in this country, I believe Consul General of all the German consults in this country, located in New York.

"Telegram No. 4, that the stock of dyes in this country is so small that by a German embargo about four million American workmen might be thrown out of employment.

(Signed) "BERNSTORFF."

"Washington, D. C., Mar. 14, 1915.

"Imperial German Embassy.

"J. A. 1794.

"Copy respectfully sent to Privy Councillor Albert, New York, for kind inspection.

"THE IMPERIAL AMBASSADOR,

"By HATZFELDT."

It was sent to Germany to bring pressure upon us.

That was followed by the final order to shut off dyestuffs in this country. It was dated April 17, 1915, and reads as follows: "Millington Behren Nine Berlin.

"Hamilton Yerkes urgently request preventing all Hoechst and similar shipments. Inform immediately.

"CHARLES SUCHARD."

We then found in Dr. Albert's file the explanation of this cable, dated April 19, 1915. It follows:

"New York, April 19, 1915.

"Dear Mr. Hossenfelder"—Hossenfelder was acting Imperial Consul General—"Sunday night the following wireless message went to Berlin through the agency of the Deutsche Bank:

“‘Hamilton associates Yerkes urgently requests to prevent all Hoechst and similar shipments. Inform immediately.’

“‘Hamilton’ means ‘Embassy,’ I am Yerkes. Unfortunately there was no code word for consulate general, so we had to designate you by the word ‘associates.’ In the stress of business I had no time to ask your assent, as you know we were agreed on the matter.

“The reference to ‘Hoechst’ is meant to convey at the same time a warning in regard to Mr. Metz. I assume that this is understood over there. I purposely refrained from direct mention of Mr. Metz as well as a more definite characterization of the dyestuffs, because it had to be taken into account that the American Government will be informed of the contents of the message, both directly and indirectly through the English. For evident reasons it would not be advisable that the advice from official sources here, not to ship dyestuffs and potash, should come to the attention of the American authorities.

“Copy of the letter of the Foreign Trade Advisor of the State Department follows.

“With kind regards,

“YOUR DEVOTED.

“DR. HOSSENFELDER,

“Acting Imperial Consul General,

“New York.”

Senator Calder. Who is that signed by?

Mr. Garvan. Dr. Albert. You can tell. He says “I am Yerkes.”

Senator Watson. I take it, Mr. Garvan, that this association is for the purpose of showing the necessity, in the opinion of the Alien Property Custodian, of taking over the German patents at that time and the German business.

Mr. Garvan. I also want to show you that on that day, in April 1915, we were in the same position that we are today, and that the same system threatens us today, to a diminished degree, it is true, but only to the extent that it has been diminished by the progress that has been made by the American dye manufacturers. I ask to be allowed to develop that. I am not introducing that for the sake of past soreness, but I am asking to introduce it to bring the matter up to and show how it applies to our situation today. Then, having turned off the stopper on our supply of dyes from Germany, they then gave orders to all the representatives of the so-called big six in America to do all they could to intensify the strain and our necessities. That I will show you by the following papers.

The New York *World* of April 28, 1915, printed the following editorial:

“HELPING US OUT

“Two large German chemical and aniline dye concerns are reported to be establishing in New Jersey to supply American demands hitherto supplied from Germany.

“There are some singular omissions in the news. So far as known these German concerns have made no preliminary inquiry about high tariff prospects for aniline dyes or the outlook for a Republican victory in next year’s elections. They have not promised to extend their plants here if more tariff protection is given, or threatened to dismantle them if it is not.

“Perhaps they are counting on a long war and its continued exclusion of German commerce from the seas. Perhaps they calculate that whether the war is long or short, labor will be scarce and high-priced in Germany for many years. At all events it is becoming evident that if American genius and enterprise are not equal to the task under existing favorable conditions of making the country independent of Germany in the matter of aniline dyes, German enterprise, cut off at home by a destructive war, will be glad to do it for us.”

That editorial brought forth the following letter from Capt. Boy-Ed, whom you know, which said—Boy-Ed wrote to Albert immediately upon his return, as follows:

“IMPERIAL GERMAN EMBASSY.

“Naval Attache.

“B. No. 5567.

“New York, April 28, 1915.

“To His Honor

“PRIVY COUNCILLOR ALBERT,

“45 Broadway, New York City.

“MY DEAR PRIVY COUNCILLOR:

“1. It is, of course, unnecessary to call your attention to the brilliant article which is reprinted in today’s *Staatszeitung*.

“I shall be one of thousands who would like to see this article circulated in millions of copies. You will surely find ways and means to do that. Especially that excellent rhetorical question should be exploited whether the United States would indeed have delivered arms to Japan in case of a war with England (under the silent assumption that only a one-sided export of arms would be possible) and should be sent as far as possible for an express answer to all the pro-British American newspapers.

“2. Today’s *World* contains the enclosed little article on the alleged erection of dyestuff factories in New Jersey by Germany.

"In case you can take no steps to prevent an undertaking of this kind, I beg you to state whose else attention I could call to the matter.

"With cordial and recognized attachment,

"Always yours devotedly,

"K. BOY-ED, *Commander.*"

Mr. Albert answered him as follows:

"April 28, 1915.

"VERY HONORABLE CAPTAIN:."

I will not read the first paragraph, as it has nothing to do with dyestuffs. The second and last paragraphs of the letter are as follows:

"With regard to dyes, I got into touch with local experts in order to determine what truth there is in the news. According to my knowledge of things, the matter is a fake, in as much as our factories have bound themselves orally and by word of honor to do nothing in the present situation which might help the United States.

"Many thanks for every suggestion. In case the news in paragraph 2 is confirmed, I will inform the State Secretary of the Interior.

"With hearty greetings."

Senator Watson. What year was that?

Mr. Garvan. April 28, 1915.

Senator Watson. That is two years before we got into the war?

Mr. Garvan. Yes, sir. So we have here an attempt both by their agents here and by the people abroad to bring every particle of suffering and pressure upon America in order to affect us in our governmental attitude. That is further shown by the extent to which they were willing to go by their refusing or neglecting to ship salvarsan. In the words of Mr. Metz, whose testimony I have here, he states that, as for salvarsan, Germany wanted the United States to starve to death."

Contemplate for a moment what this means in view of the fact that we are supposed to have millions of syphilitics here. Think what an extension of the disease, and what an intensification of suffering and distress Germany was willing to impose upon her best market in order to obtain her imperial will.

But America did not cringe to the Germans. Her people began to get busy, increased our few small dye establishments, erected others, called upon the people to endure, and from that time on an ever-increasing independence of the American textile industries and other dependent industries has been accomplished, and

the possibility of exercising such wrongful pressure by any other nation has steadily diminished. The same is true as to salvarsan. We got busy, mastered its manufacture, until today we have increased its consumption ten times and reduced its cost from the German cost of \$3.50 per treatment to 60 cents.

To go back a moment, their point of view in one of their wavering intervals before their final decision in 1915 may perhaps be instructive.

At that time, I will say, it is due to Mr. Metz to say that at all times he did his best to get over dyestuffs to this country. Mr. Metz went to Germany in October 1914, with numerous letters of introduction from Bernstorff and from the different people, and this was the viewpoint of Albert at that time, as disclosed by the letter which he gave to Mr. Metz to present to the people over there. The letter is as follows:

"New York, November 16, 1914.

"MY DEAR BENEFACTORS AND FRIENDS,

"Assembled in Hohen Hause, Wilhelmstrasse, 74:

"Perhaps by the time when you receive these lines, Herr H. A. Metz, of New York, will call with a letter of introduction. I wish earnestly to request you to take good care of him and treat him very nicely. Maybe you will take him to breakfast some time or show him other favors after the American fashion, in the event that Excellenz Richter or Dr. Muller do not do it. I am afraid they will be too busy.

"At the same time I call your attention to something which you will have the kindness to bring before the proper authorities:

"In considering all the favors to which Herr Metz is entitled it must not be forgotten that he is a competitor of the other dye-works. For that reason I have just cabled you that the bonds covering re-export of dyestuffs are to be deposited with me. Also, in allotting ship space for return freight it must be remembered that the other chemical works are to have a word to say. I earnestly recommend that this exportation of dyestuffs be somewhat more favored than has heretofore been the case, perhaps through my own suggestion, as otherwise there is danger that America itself will take up the production. Plans are already being prepared for a high protective tariff, which will be taken up by the Congress which meets in December. As Metz is a member of the Congress, he is the right man to fight this measure.

"On the other hand, the entire production of dyes should not be handed over to him, otherwise he might use the opportunity to eliminate his competitors. He is the real type of the 'smart' American, who as a matter of course uses every situation for his

own business purposes. Perhaps I may also to ask you specially to bring this to the attention of the proper authorities.

"With hearty greetings,

"Your respectful admirer,

"ALBERT."

Senator Watson. Do you know whether or not that letter was ever brought to the attention of Mr. Metz?

Mr. Garvan. He carried it with him.

Mr. Metz. Just want to say that I never saw such a letter and if I carried it the contents were not known to me personally. I carried dozens of letters.

Mr. Garvan. This letter was a letter which Mr. Metz carried with him. He probably never read it.

Mr. Metz. I never saw a letter like that.

Senator Watson. Did it not state that Mr. Metz would appear with a letter of introduction?

Mr. Garvan. There were a half dozen letters of introduction, whether this particular letter went in the Ambassador's pouch I do not know. That is the only one that refers to the tying up of the American dye industry.

Senator Watson. What I was trying to get at was whether or not Mr. Metz had knowledge of that letter or had carried it over with him.

Mr. Garvan. I am not introducing that letter to show anything about Mr. Metz, I am introducing it to show the German mind towards the American.

Senator Watson. I understand your idea but I wanted the other information if you could give it.

Mr. Garvan. Then again on March 3, 1916.

Senator Curtis. As a result of that visit of Mr. Metz, did we get dyestuffs?

Mr. Garvan. Not at that time; later we did in the Deutschland's shipments. Mr. Metz can correct me if I am not correct.

Mr. Metz. We got four shipments and I got salvarsan after that.

Within three weeks after the deliberate attempt in April 1915, to cripple our three billion dollars of industry dependent upon dyes, came the sinking of the "Lusitania." This, as you know, was followed by other outrages, and a constant growing anti-German feeling in America. This growth of feeling, and the acts of the German Government causing it, came to be discussed among the German representatives, and in reference to the subject we now have in hand some took the side

that the withholding of dyes from America was a useless irritation and not effective, while another party still insisted upon its economic value to Germany. This discussion is best shown by a report of Consul-General Hossenfelder, dated March 3, 1916, to his Excellency, the Imperial Chancellor, Dr. von Bethman-Hollweg, which is as follows:

(File No. 245C.)

"J. No. 2919.

"K. No. 102.

"New York, March 3, 1916.

"The proceedings, which have taken place here during the last weeks in the domain of domestic and foreign politics, make it seem proper in my opinion, to treat connectedly anew our economic-political relation to the United States.

"The revolt, certainly without example, which has broken out in Congress against the President on account of his attitude in the submarine boat questions, has not the least thing to do with the feeling in the country toward Germany. According to the explanations given by Your Excellency and by Under State Secretary Zimmermann the people were convinced that Germany had reached the limit of its compliance, they saw themselves placed, through the President, before the danger of a war with Germany and through their chosen representatives made him understand that they did not want war and would prevent it by every means. In this decision the determining factor was the consideration that a break with Germany would have incalculable consequence for the United States and that no sufficient reason was at hand to take a step fraught with such consequences. Again the conviction that a break with Germany is to be avoided in the interest of the United States, is not based, as might be supposed, on the fear of the German Empire, but on the provision, that the Americans, in case they take a hand in the conflict, would have to raise war costs for the allies and most of all that the country would be divided into two hostile camps by a participation in the European War, out of which, under increasing embitterment, severe internal conflicts could develop. Sober business sense and cool calculation between the stakes and the possible gain have guided the American peoples, not by any means a change in their sympathies for the individual nations waging war. This statement seems to me necessary in order to meet those who, in spite of all experience, stick to the illusion that a transformation of feeling in favor of Germany can be detected and lay claim to every incident, by which our interests

are not directly injured, as a proof of the correctness of their view.

"Germany and the United States even after the outbreak of the war were willing to carry on commerce with each other. This commerce was tied up merely by England which wants to prevent Germany from drawing necessary materials from abroad on the one hand and on the other of improving her finances by the sale of her own products. For this reason the relation between the United States and England is, for the duration of the war, of far reaching significance also for our economic relations to the Union. Hitherto the United States has accepted the injury to its commerce by England, has borne the loss arising therefrom and has taken no steps to force the abolition of the existing situation, in its essentials contrary to international law. Does there exist now in reality any well-founded prospect that a change is taking place in this attitude? This question I must answer with an unconditional 'No.'

"Among us the view has plainly hitherto found zealous advocates that the United States would proceed against England and the English aggressions as soon as we shall have yielded to American wishes in the Lusitania affair. As is well known to your Excellency, I have always considered this view to be a grievous mistake. If my conviction hitherto was based merely on personal observations and inferences, I believe now I am justified in assuming that the incidents of the last few weeks have brought out the feeling of the government here without concealment and (in a manner) recognizable by everybody. We meet in Washington only hostile feelings and conscious partisanship. However, the fact remains that the chief trend of the politics of the Federal Government is determined by internal political pressure and counterpressure.

"So far as the feeling throughout the country is concerned, the English aggressions, especially the molestation of American travelers, the confiscation of mail, and the supervision of American business by British diplomatic and consular representatives has recently beyond doubt aroused strong dislike. But the bearers of this bad humor which is openly expressed very often, are those in the main who have been directly or indirectly hit and who in their totality do not make up the whole of public opinion by a long shot. There exists only an invitation which makes the wish for a remedy become vocal in these special cases but which is not in the remotest strong enough to break the bonds sealed by race, language and views of life; which bind this country to England, or from the feeling of mortification to arouse sympathies for the enemies

of England. The longer the war lasts, the clearer it will become even to the prepossessed American that England is sorely fighting for her existence. His ethics allows the American regardlessly to exploit the embarrassing position of the fellow members of his race to his own advantage. Nothing lies farther away from him than to take the side of Germany in this struggle for Anglo-Saxon supremacy. He cannot at all, therefore, wish in his heart that his country should hinder England from wounding Germany or that he should furnish Germany the means of being able to continue the battle against England. Ample provision is made here that the question whether the lack of certain raw materials will not finally force Germany to a peace, is kept continually before the eyes of the American public. I am, therefore, not able to see upon what a justified hope for an 'about face' in popular opinion in our favor could be based.

"Economic considerations, i. e., their own advantage, for high finance here and the industry dependent upon it for the stock-exchange and all those who live from the manufacture of arms, ammunition, and war material, point the way into the English camp, as I have already explained in earlier reports. They have all the most urgent interests in the preservation of England and in following an American policy which takes account of English needs. In regard to the political influence lodged in these groups I need not spread myself further here in view of former reports rendered.

"On the other hand a different relation exists with the producers of raw materials who are robbed by England of the possibility of selling their products to the Central powers, and with those business circles and branches of industry which need German wares and German raw material. With both the interest in the continuation of commerce with Germany stands in the foreground.

"Among the producers of raw materials the cotton planters occupy the first place. I can only repeat here what I have already elucidated in another place, that the cotton-planters are not suffering distress, that their pressure meets a stronger counterpressure and that they, with their possible consideration will find no hearing in Washington as long as the prices of cotton are maintained at a proper level. That is the case at the present time and according to all reckoning will be the case for an ample period to come. If later the prices for cotton should fall below a certain level, it not only lies within the realm of possibility to remedy the complaints of the planters by government measures, but England also will be reminded

of her promise previously given to be willing to support the cotton market if necessary. On wheat, which is at a very much higher price than before the war, the farmers have made enormous profits. For the copper market other conditions hold as the conditions of a whole fraction of the population does not depend on it. Incidentally the prices are extraordinarily high. The consumption of a whole list of other articles has so increased as a result of the war both here and in the foreign lands hostile to us that the loss of the demand from the Central Powers is being more than equalized. From the group of producers of raw materials also no pressure promising results is to be expected. That the army of importers have not today the interest in the maintenance of unhindered commercial intercourse with Germany as at the beginning of the war, because their business energy has been applied to other ends, the business expert has already explained in his report No. 3, Part II of the 14th of this month. The movement emanating from the importers has therefore, with the lapse of time, lost very considerably in extent and significance.

"Neither through money nor the granting of credit, nor by any other means, can that critical situation be relieved which has been called forth by the removal of certain articles which are obtainable only in Germany. These articles are chiefly potash, chemicals, and dyestuffs. Potash is desired by agriculture inclusive of the cotton-planters, all the more urgently since even last year sufficient fertilizer could not be brought to the soil. They enumerate the industries which are suffering from the scarcity of German chemicals would lead too far. I may, however, mention that the cry for help which comes from the world of physicians is becoming louder and louder and more and more insistent. The country, however, is being hit hardest by the lack of dyestuffs which makes itself felt more and more every day in regard to which I may refer to the report of the business expert No. 5, Part II, of the 15th of this month. What the United States is able to produce in dyestuffs is neither in quality nor in shades in the remotest sufficient to meet the existing demand. It is now acknowledged here on all sides that the reports to the contrary of Mr. Norton are not only too optimistic but directly untrue. With these, the assurance of Mr. Redfield, Secretary of Commerce, at whose suggestion Norton's reports were made, have lost their value. Of the agitation brought about by the government there is left only the effort to carry through some legislation by which great hinderances are to be put in the way of the

importation of dyestuffs in the future. In estimating the effect which will be produced by cutting off the importation of potash, chemicals and dyestuffs it should be taken into consideration that the circle of persons effected is very extraordinarily large. Through the lack of dyestuffs alone not only is a whole list of important industries (wool, cotton, leather, paper industry, etc.) gradually made lame, but for the great public, living becomes more expensive both through the rise in price as well as through the small durability of all products for whose production colors are used. We are here, unquestionably, face to face with conditions which are without a parallel in the past.

"When I balance the *pros* and *cons* with each other I come to the following conclusions in regard to Germany. If we, at some calculable future time, should be restricted to American articles in order to be able to carry on the war, something which would certainly not escape the official American representatives in Germany and which would not remain hidden from England, we would not get these articles because England would not permit it and the dominant factors in the United States likewise do not wish it. If the government here on account of individual English aggressions should screw itself up to inconsiderate language in its notes addressed to England, it is to be assumed that these notes are first and foremost intended for home consumption. That the United States should decide, in case of necessity, to give emphasis to its demands by measures of compulsion, I consider impossible before as well as after. Besides, for example even a threat of an embargo on munitions and war materials would make little impression on England at present, since such an embargo would hit America much harder than the continuation of the suppression of commercial intercourse with the Central Powers.

"If the idea of the possibility that the United States in order to carry through its demands could use measures of compulsion or of retaliation, is dropped, the fact still remains that England in many important things is dependent upon the support and the good will of the Union to a far-reaching degree, and could, therefore, see itself forced voluntarily to yield to certain American wishes, even if the fulfilment of these wishes touched English interests. The situation created by the lack of potash, chemicals and dyestuffs will make a decision necessary within a calculable period. I consider it, therefore, to be probable that the American government, which cannot escape its obligation in relation to its own country, will demand from

England the unmolested exchange of the German articles mentioned for American products, like wool, etc. If this should take place and England should show itself inclined to yield to the demands, which is very doubtful, the question still remains open whether a real gain is thereby achieved for Germany. I must answer this question in the negative.

"In his report No. 3, Part II of the 14th of this month already mentioned, the business expert has treated the changes which have taken place in the economic domain here as the immediate consequences of the war. He has explained that not only a far-reaching dislike to Germany and German products has gained a footing here and indeed in the influential business circles, but that zealous efforts are being made to render themselves independent of Germany in the industrial field, that especially the elevation of tariff barriers and the sharpening of procedure in collecting tariffs is favored by both great parties. On the basis of his searching investigations he has come to the conclusion that, after the end of the war we will be compelled to build up our export business to the United States anew from the bottom up. I agree with his arguments in all points.

"The conviction that the United States is chosen to draw permanent advantages without effort out of the economic exhaustion of the nations involved in war has become a sort of dogma to the American. We, on the other hand, upon whom war has inflicted deep wounds, will naturally not feel any inclination after the war to delay the healing of these wounds by allowing a neutral of strength in the economic domain to follow the grievous passage at arms just concluded. In the transactions with the United States (Tariff Navigation) for which we must make ourselves ready after the war, we shall have, therefore, an extraordinarily difficult situation. In these transactions the circumstance will be of such a great weight that Germany, victorious in all the theaters of war during the war has been compelled to put up with a neutrality existing only in name, a neutrality, of the mendacity of which people here are fully conscious. As I am acquainted with the quite ridiculous belief of the American in his own superiority and its consequences, I consider it extraordinarily important that a counterpoise be created here. The opportunity for it is at hand. Without needing to run the risk which in the intercourse of the nations is bound up with every arrangement of war measures, we now have in our hand the means of showing the American by withholding potash, chemicals, and dye-stuffs that he cannot do without Germany; we can bring be-

fore his eyes what value appropriate commercial relations with Germany have for his own land. After the war the opportunity for a practical demonstration of our strength and his dependence will not exist unless we allow it to come to a trade war. If we allow the American to relieve the critical situation in which he is placed by pressure upon England we shall show ourselves in his eyes only as not equal to the situation and shall uselessly play our chief card. Since, as I have argued above, we shall not receive the articles which we unconditionally need for the continuation of the war, from America, the alleviation which, for example, the occasional exchange of a quantity of dyestuffs for a quantity of cotton may afford, is, in my opinion from the German viewpoint no equivalent for that which the American receives. Therefore, we should, according to my conviction, hold ourselves absolutely passive in relation to the proposals for the exportation of potash, chemicals and dyestuffs, and, if the opportunity arises, make the sanction for them not dependent upon the consent for an exchange of articles but upon the abolition *en bloc* of all the hindrances to intercourse contrary to international law which have been instituted by England. The impossibility of fulfilling this demand would merely contribute to give the effects of the lack of German articles a very intensive shape. In political regards we have nothing to hope from the United States during the war and the time following on the treaty of peace which will be dominated by the immediate recollection of the war. Experience has taught us that our willingness to meet half-way has been answered by setting up new demands. As I have occupied this position from the very beginning, I may indeed repeat it here once more after the events have spoken.

"In conclusion I should like to refer still to a phenomenon which no one here can pass over. It concerns the attitude of the large German firms or large firms representing German interests. It is striking in what an increasing degree these firms, with a disregard of the cause of all Germany are concerned only about their own business welfare and their profits in money, since the danger that we might sacrifice our position as a great power in this war, appears to them to be averted. On this fact, the justification for the contradiction can be measured which might easily be raised directly or indirectly to the views of certain business circles represented here. The prospects for large profits are most weighty among the representatives of the dyestuffs industry. Therefore, in these circles the doctrine is most loudly championed that the

resumption of exports even without a *quid pro quo* and an exchange of wares must be Germany's principal aim in commercial politics.

"The chemists whose judgment as specailists is not determined by the commercial directors over them, unreservedly acknowledge that the building up of a chemical industry of equal rank in the United States will take years under the best circumstances, that it is, besides, hardly possible without the help of the talents trained in Germany. What can take place in years will take place whether we furnish dyestuffs now or not. For our national economy some million dollars which flow into the pockets of the dye industry are of small significance. As long as we buy in Scandinavia, Holland and the Balkan countries, the rate of exchange of the Imperial mark will be unfavorably influenced in the United States also. The ideal means of supporting the rate of exchange is the sale of German securities, for the systematic working up of the field a large market is to be found here.

"A copy of the report goes to the Imperial German Embassy.
(Signed) "HOSSENFELDER.

"To His Excellency

"The Imperial Chancellor,

"Dr. von Bethmann-Hollweg."

(Translated by J. P. Hoskins.)

EMJ

I also desire to submit for your consideration some further letters from Dr. Haeuser, head of the Farbwerke Hoechst dye works and also president of the German Society for the Preservation of German Commercial Interests.

"FARBWERKE VORM. MEISTER LUCIUS & BRUNING,

"HOECHST AM MAIN.

"Hoechst a. M., June 20, 1913.

"MY DEAR MR. METZ:

"I received your two letters of the 4th and 10th of this month.

"As regards Hydrosulfit, I can only explain to you once more, that we invoice exactly according to the lowest market prices here, that we naturally deduct packing and freight from the duty-invoice.

"Your communications about Bayer interested us greatly. In the meantime I have also heard personally from Mr. von Boettinger, as you telegraphed to us, that Elberfeld have established a new Bayer Company, and apparently also a special company for the pharmacy department; for the erstwhile process this new estab-

ishment will certainly not be of much use to them. The handing over of the papers to Dr. Hess seems to have been a real joke.

"It is very interesting, that you now receive the samples of the competing factories on the part of the dyers for examination. I can nevertheless imagine that an uncomfortable situation may sometime arise for you because of it.

"We are naturally not interested that hydro-blue or carbazol colors should be placed on the free list; would not, however, on our part come forth directly against Cassella; you will therefore on your part omit any direct work against Cassella. I also repeat, as I have already informed you in my communication of June 9th, my opinion, that the best for all of us would be, if certain dyestuffs, including the alizarin dyes, would pay about 15 per cent duty, and only indigo remains on the free list. I should consider it a great success were you successful in leading up to such a change in the tariff.

"Mr. Hinrichs wrote us on the 9th of this month, and gave us once more, in an enclosure, his drawn-up agreement, which, however, contains nothing new. I answered him today, according to enclosed summary, and hope that he will now be able to take requisite measures. Against a deposit of the shares for us in England (perhaps at Speyer Brothers in London) we have naturally no objection; on the contrary, it would be, as you yourself rightly say, still more convenient for us to have the deposit in England.

"Mr. Widemann was here recently, and journeyed away yesterday. I did not find him looking well, and had the impression that he was truly in need of a rest. I really heard nothing new from him.

"With best greetings,

"Yours respectfully,

"DR. HAEUSER."

(*Translation.*)

"FARBWERKE VORM. MEISTER LUCIUS & BRUNING,

"Hoechst am Main.

"Hoechst a/M., May 14, 1913.

"MY DEAR MR. METZ:

"I received your letters of the 1st and 5th inst., and extend my best thanks for the interesting news contained therein. In the interim, I wrote you two letters on the 8th inst., copies of which I enclose herewith, and from them you will see that we at least desire to accede to your wishes. Should extraordinary difficulties present themselves, we will quickly overcome them. A trip across the water right now I would not relish, but if it cannot be otherwise arranged, I will have to decide to do so. I believe, however,

that I can correctly judge the situation over here, and that it is possible for me to reach the same conclusion as you have. In this regard you are perfectly right, that attention has been attracted to the activities of the Chemical Industry concerns, and that the American Government secures information regarding them.

"I beg you to have patience with Hinrichs; he is rather peculiar, but on the other hand he is capable and dependable.

"The other firms here are also agitated over the situation. We must allow each of them, even Kalle & Co., to do that which, from the nature of their peculiar circumstances, they find the proper course to pursue. What concerns you and overselves, if we agree upon the changes you propose, we at least set aside any ground for complaint.

"With reference to the drawback as to our correspondence with Hinrichs, it is so arranged that it can be presented to the Government in unrecognizable shape, being in the nature of a private code, the necessity of which I regret. Mr. Hinrichs writes us in his last letter of the 30th ult., if matters of interest are not received, that it is not necessary to produce such correspondence, but only receipts and such matters. Hinrichs, however, did not follow my wishes as to receipts, etc. Under these circumstances it appears to me that the most charitable and safest plan is not to induce Mr. Hinrichs to make use of the correspondence.

"Your idea that Kuttroff remains with the native Elberfeld Company in a certain clerical capacity does not meet with the approval of Messrs. Von Elberfeld and von Ludwigshafen.

"I can readily imagine that you are unusually busy in Washington now. The 'Congressional Record' which you were kind enough to send me, I will read with much interest. From it one can best picture the situation.

"The Badische is naturally not much pleased that Alizarin has to pay a duty of 10 per cent, whereas the Indanthren and the remaining Anthracenderivate must pay full duty. We trust, however, that you will be able to push through Alizarins without any duty and have the duty on dyestuffs reduced. It would at any rate be very nice, though I cannot really believe it possible, after we were so badly cut up by the revision of the tariff. I beg of you to forecast exactly the best results obtainable in delivering to your f. o. b. European ports.

"For the kindness shown my wife by your sending her an invitation to attend the opening session of the 'House of Representatives,' I thank you many times in her behalf.

"With best wishes,

"Yours sincerely,

"DR. HAEUSER."

(Translation.)

"Confidential.

"Hoechst am Main, August 5, 1915.

"DEAR MR. METZ:

"Your friendly letter of the 14th ult. received and I send my best thanks for your esteemed communication. I am still awaiting the receipt of the revised accounts sent by Mr. Spielhagen.

"Regarding the Bethlehem Coal & Iron Co. and the Deutsche Bank, I have heard nothing, and I can hardly believe that under existing conditions the Deutsche Bank would support any such undertaking, to the detriment of the German dyestuff industry.

"That Bayer is in back of it, I believe even less, for I know from only recent reports that no German dye factory even considers, during the present shortage of chemicals, to manufacture anything new over there. Bayer would certainly not undertake, as far as one can see, to take up something new, when the few articles (Blue, Vesuvius, Bismark Brown, Fuchsin) have already been delivered by them over there.

"We lay great stress upon the fact that you personally will not participate in any manufacturing enterprise.

"The present conditions cannot last much longer. If our successful movement in Russia continues in the same ratio as during the past week, the Russians will get war-weary, and they will then be compelled to sue for a separate peace, which would quickly change the situation.

"As soon as normal conditions return, those who took advantage of the present abnormal and uncertain conditions to build up new enterprises will later have to suffer heavily.

"I thank you for your interesting report on indigo shipments from China.

"With best wishes,

UNSIGNED."

Perhaps the best historical picture of the entire matter was expressed in Dr. Albert's long cable to his home government, dated April 26, 1916, as follows:

"Dr. Albert's Cable on the Export of Dyestuffs"

"69A.

"April 26, 1916.

"The policy of withholding dyestuffs was at the beginning of the war without doubt the only possible one. The hope was entertained of bringing the American industries which were solely dependent upon German deliveries of dyestuffs into the position that they would have to insist on the importation of dyestuffs under the conditions demanded by Germany.

"This policy has been in part successful in so far as a great dearth of dyestuffs has beyond all doubt arisen. The industries concerned have developed a lively activity in order to induce the government to accept the German conditions—export of dyestuffs only in return for the importation of goods to Germany. But it has been demonstrated, nevertheless, that the political pressure of these circles was not strong enough to cause the American government to force England to give up this blockade on imports

II

"In the meantime the lack of dyestuffs has, to be sure, not been eliminated, but it has been in many respects mitigated. The public has once become accustomed to ask for articles which are dyed with colors produced here in the country. Moreover, a certain development of the American dyestuff industry has taken place. This, to be sure, is not in a position to compete with German industry in the most important and most numerous products, but has, nevertheless, assured itself of a certain market territory. A lively demand for protective tariffs and for clauses in the tariff legislation which shall prevent 'dumping' has been called into existence. By emphasizing the national element a certain pressure has been exerted on the American Government which can, to be sure, hardly have as its result the rearing up of an American dyestuff industry equal to competition, but which may easily lead to the result that legislation embarrassing in many respects will be introduced.

III

"The German Government has been made responsible for the famine in dyestuffs, as the press of the Allies has succeeded in veiling the real state of the case in a very skillful way. The German standpoint was understood in interested circles at the beginning. But when the withholding of dyestuffs exerted no influence on the attitude of the American Government in relation to the English blockade, the uselessness of this procedure should have been recognized in the opinion of many Americans. As that did not come to pass, motives were sought for and found in the *annu* (endeavor) that the German Government, by cutting off dyestuffs, wanted to hinder the development of the American textile industry in South America. Accordingly, the arguments which undoubtedly influenced the English policy were turned against us. In view of the great sensitiveness which all South American questions meet in respect of the Monroe Doctrine, an unpleasant political impression has been thereby created.

IV

"The effort of the Allies to put the blockade against Germany into effective shape is lately no longer restricting itself to the prevention of importation. Since importation from the countries bordering on Germany cannot be prevented, attempt has been made to sharpen the effect of the blockade by preventing payment for this importation. Not only the exportation of German wares, but also most of all the creation of German credit by the sale of securities is made difficult in every way possible. As it was openly expressed, the Allies want to prevent the formation (establishment) of every new German credit abroad. As Germany in fact has large imports for which it cannot pay entirely by exports into neighboring countries, and as the sale of securities has been rendered difficult for various reasons, the German rate of exchange has in fact started on a downward path. The Allies take advantage of that very skillfully to show that Germany has reached the end of its resources. The declining rate of exchange, they argue, shows an exhaustion of German credit. With these arguments they reconcile to a certain extent that part of the public which considers the blockade illegal, but for humanitarian reasons long for a swift and, if possible, bloodless ending of the war. From this point of view every means which brings about a strengthening of the rate of exchange is of the greatest importance.

"It therefore appears especially desirable to acquire credit in America by the release of dyestuffs. This credit, on the basis of a quantity of 15,000 tons at today's prices, might yield a sum of 20 to 30 million dollars. If this sum is paid in an appropriate way and a correspondingly skillful use is made of it, it is easily possible to influence the rate of exchange thereby. It is not a question of bringing the exchange up to a definite point by this sum. But an upward movement can be effected. If such a movement sets in, other forces will work in the same direction. Most of all, bear speculation (short selling), which has been carried on to a considerable extent, will be discouraged. Besides, it is to be assumed that a rise in the rate of exchange will exert a favorable influence on the sale of the German war loans. A low rate of exchange certainly invites many a one to buy; a declining rate, however, discourages the owners of securities, deters them from new purchases, and leads to a certain depression in all circles coming into question.

VI

"Different objections have been raised against this. It has been argued that the sum is not sufficient to bring about a lasting

improvement in the rate of exchange. The rate would decline again, and with that the purpose of the Allies to show the weakness of Germany in a falling rate of exchange would be attained. Of course, it cannot be told today whether the attempt will be successful or not. But the following can be assumed with certainty: if 30 million dollars with proper use cannot hold up a decline in the rate of exchange, then the manipulations of the Allies without such a counter-influence must bring about a far worse depression. A second objection is this: the submissiveness which we show in this field, it is asserted, plainly shows Germany's necessity to mobilize its last reserves. There is no doubt that this argument will be used by the Allied press. But the fact must not be overlooked that a successful move by Germany in this field will be very unwelcome to the Allies. It will not be hard to prove that the sale of comparatively small lots is to be regarded as an accommodating attitude toward American consumers and not as a sign of weakness.

"As a matter of principle we do not surrender our standpoint in relation to the Allies. By the creation of American credit we thwart the blockade of exports attempted by them which, as a matter of principle, is certainly just as important as the attempt, and, moreover, the unsuccessful attempt, to thwart the blockade on imports by withholding dyestuffs.

"As far as the fear is concerned that Germany's compliance in relation to the Americans might be regarded as weakness and might thereby render difficult our other negotiations, this argument is certainly without foundation. The expositions of principles with the United States in regard to the submarine boat question has reached such a stage that comparatively subordinate questions are without influence."

Senator Watson. What is the date of that?

Mr. Garvan. The 26th of April, 1916.

Their change of policy is shown from the fact that they discussed the 15,000 tons that were to come in to equalize the mark. The result of that was the shipment of the concentrated dyes by the undersea boats.

Senator Watson. When did the undersea boats get in?

Mr. Garvan. One was docked in November.

Mr. Metz. One boat arrived in June, 1916, and the other in November, 1916. The *Bremen* had a big cargo, but she never arrived. She was lost.

Mr. Garvan. The direct result indicated a change in this policy, the new idea being to send undersea boats.

Mr. Bernstorff, however, seems to have gone too far to satisfy his own government in stating that their policy had completely reversed. On May 21, 1916, Bernstorff received the following:

"FOR PRIVY COUNCILLOR ALBERT.

"Berlin, May 21, 1916.

"Foreign Office, 11 U2235, No. 47.

"His Excellency, THE IMPERIAL AMBASSADOR,

"COUNT V. BERNSTORFF,

"Washington, D. C.

"In the *New Yorker Staatszeitung* of April 16 we find the note printed, concerning aniline dyes, supposedly directed by Your Excellency to Lansing. Therein is stated:

"'Under these conditions (?) the Imperial Government is, if necessary, even prepared to put forth every effort to have German chemical factories, in so far as circumstances will allow, to put aside all other work and manufacture such colors as are especially urgently needed in the American market.'

"In this especial attention should be given that unnecessary competition is not made against the American dyestuff industry. This announcement, which does not correspond to the facts, is likely to bring forth discord in the interested circles here, or will result in difficulties (inconveniences) to our industry. I shall look forward to a report by the next mail if you please, which will be necessary in explanation of the information given out and which goes beyond the limits of the authority given you.

"ZIMMERMAN."

And then Count von Bernstorff explained:

"Secret.

"FOR PRIVY COUNCILLOR ALBERT,

"*Imperial German Embassy.*

"A No. 322.

"In reply to the official notice of 23 IV 16 No. 182 and of 21 V '16—No. 11 20 2235.

"Rye, N. Y., June 21, 1916.

"On File (Dyestuffs).

"In the Envelope.

"Post Code (Cipher).

"Among the reasons which were determinative for the refusal to export dyestuffs without equivalent, the indirect effect of this refusal on the English blockade was not only the principal one, but also the reason in regard to which it would have been difficult for the Imperial Government to form a judgment of its own. On this account I expressly emphasized the fact in radiogram No. 695 of March 26, 1916, that agreement existed between the Consulate General and myself in regard to the elimination of this

reason, as had become clear in a thoroughgoing discussion with the Consulate General, together with the consultation of persons interested. Regarding the remaining reasons contained in the memorandum of the Consulate General of March 24, 1916—the shaping of the rate of exchange, reaction on the sale of the war loan, damage to our credit, the effect of a compliance on the politico-commercial negotiations after the war, the demand in the U. S. for sales to South America—I had no occasion to make a report to your Excellency, wholly aside from the fact that I regarded the reasons as of secondary character and as not valid, since the arguments determinant in this case could be judged better in Berlin than here. I had, therefore, particularly in view of the brevity imposed by the radiogram and of the circumstances that the American Government will receive knowledge of the content of the telegram, no reason to go into these arguments or to mention the attitude of the Consulate General.

“But in so far as the purely formal question, whether the Consulate General agreed with my proposal, came into consideration, apart from the pertinent considerations, I felt that I might presuppose it as known to your Excellency that the administrator of the Consulate General at this time is accustomed to contradict in every case any suggestion offered by me—whether it is a question of political, politico-commercial, economic or propagandist measure—and to give expression to his differing opinion not only without delay in a report to your Excellency, but also, with the extension of his criticism to the policy followed in general by the Imperial Government in reference to the United States, publicly in the German Club in the presence of numerous members. I, therefore, assumed that your Excellency would presuppose the opposition of Consul Hossenfelder, as given, in the present case also and restricted myself, for this reason, to the establishment of the agreement on the most important point which was not to be assumed without further explanation.

“I mention expressly only Consul Hossenfelder because, to my sincere regret, in view of the state of his health, I am no longer able to attribute any importance whatever to the opinion of Mr. Waetzoldt. Mr. Waetzoldt is so reduced in memory, in his judgment, and his ability to work, that he is no longer able to cope with the present continual change of conditions, and stands under the influence of the arguments occasionally delivered to him, which, according to the nature of things, leads him to share in the opinion of Consul Hossenfelder in regards to reports and memoranda in writing. The fact that he also signed the memorandum in regard to dye-

stuffs cannot be taken into consideration, characteristic in this regard is the reference to Mr. Waetzoldt's opinion in the report of the Consulate General of April 26, '16,—Jr. No. 4612—concerning the reaction of the release of dyestuffs on public opinion here, since Mr. Waetzoldt, a few days later, at a meeting of the committee of dyestuff importers, representatives of the Republic Trading Corporation and their attorneys agreed to the contrary (opposite) opinion.

"The German reproduction of the note anent the question of coal tar dyes contained in the New York Staatszeitung of April 21, 1916, is a retranslation from the English text. The passage in question runs as follows, in the original note:

"Under these conditions the Imperial Government, if need be, is even ready to work to the end that the German chemical factories, in so far as it is at all compatible with the conditions, be relieved of other work, and produce those colors which are needed with especial urgency, in the American market."

"For the comprehension of this declaration I may observe that the purpose of my proposal to sanction the exportation of dyestuffs was either to achieve the politico-financial effects bound up with it, or, and this was from the outset the more probable case, to shove the blame for the non-delivery of dyestuffs upon England. The purpose of the measure was, therefore, in its essentials, a political one in so far as the deep-rooted dissatisfaction which embraced wide groups, on account of the refusal to release German dyestuffs, should be done away with, and a convenient means of agitation be snatched from the English. This succeeded in full measure. In order to attain the result, nevertheless, it was necessary in the next place, to prevent our accommodating spirit at the time from being construed as a bluff. In explanation of the former German attitude, it had been pleaded here from different sides that Germany was not in a position to deliver dyestuffs for the reason that the chemical factories were overwhelmed with orders for explosive materials. This defense of the German attitude, intelligible especially from the standpoint of importers here, had established itself so well here, it was held up to me among others, even in the State Department, that without a corresponding counter statement, every change of Germany in her attitude hitherto would have been construed as a disloyal deception.

"From the objective point of view there was no objection to the declaration in so far as, in consequence of its non-obligatory wording, its execution depended from the outset of the free discretion of the German government. In what way I,

with such a declaration, went beyond the authority conferred upon me, I am not able to comprehend. I feel justified in regarding it as my task to bring a communication ordered by you, before the American Government in that form which exerts the greatest possible influence in our favor on public opinion, presupposed that no inadmissible objective concessions are made thereby. It depends so much the more on a corresponding form since, as your Excellency knows, official notes on the part of the Germans are at this time the only effective means of influencing public opinion in this country. It is, therefore, of the greatest importance, that such notes receive that wording which, according to a profound knowledge and appreciation of conditions here, appears necessary.

“(Signed) BERNSTORFF.”

I think, gentlemen, that I have introduced enough to show to you that even prior to 1916, the dye industries of Germany were utterly and absolutely under the central control of the Government, and that the central control of the Government was able to use those dye industries at will for such Governmental purposes as it desired.

It has been shown here that in 1916 they became one great trust, called the I. G., and it might be inferred that this was due to war conditions, but I want to show to you that it was but the logical carrying out of a scheme long thought out, of long years' standing, which had for its object the control of the world's dye markets and through that control of the world's dye markets the possible destruction or limitation of all the dependent industries, not only of this country, but of every country, to the advantage of those industries as established in Germany itself.

This was wholly apart from her settled purpose that by destroying the chemical industry of all other nations she sought to leave them impotent in war. In 1910, that farseeing and able Senator, the late Mr. Aldrich of Rhode Island, obtained the translation of the principal authoritative book upon the German banks and upon the cartel system. This book was entitled, “The Great German Banks and Their Concentration in Connection with the Economic Development of Germany,” by J. Riesser, Geheimer Justizrat and Professor at the University of Berlin. In order that the country might exercise prevision, this translation, at Senator Aldrich's request, was printed as a Senate document, and is known as Volume 43, Senate Documents, Sixty-first Congress, Second Session. In

this volume, at page 724, the author, after recounting the combination into the "Big Six," goes on to say:

"It is self-evident that this development has not yet reached its final goal. There is even now an agreement between the Badische Anilin-und Sodafabrik and the Hoechst Dye Works, by which they act in common in fixing the selling price of artificial indigo manufactured by both. It is quite likely that the Hoechst-Cassella-Kalle & Co. combination and the other triple alliance (Badische Anilinfabrik, Bayer, and the Aktiengesellschaft für Anilinfabrikation) will gradually get together in one way or another and at some more or less distant future time form a consolidation of all aniline dye works."

It is our contention that the general scheme of the Germans was that this supremacy should go on and that it had been decided upon a long time ago, continued until there was one institution, namely, the I. G., and that thereafter, under the guidance of the I. G., the chemical industry of Germany, supreme in the world, would then become the means of aiding all other industries dependent upon dyes in Germany by withholding from similar industries in other countries the best of their dye products and by favoring the home industries in prices, or otherwise, as occasion arose.

In other words, the textile industry and all other dependent industries are faced today with a choice of two licensing systems, one inaugurated by our own Government on behalf of domestic dye manufacturers, and the other consisting of Herr von Weinberg, the head of the I. G., working at all times the will of his Government. There is not a textile, carpet, leather, or other dye-using manufacturer in this country, who can today receive one pound, except at the personal behest of von Weinberg, and except for the protection he is ensured under the peace treaty, which provides that for a period of five years the Reparation Commission shall have an option upon 25 per cent of the production of the German works. The failure to pass the licensing system would allow Kuttroff and Pickhardt and Metz, and the other German agents to destroy the protection of that Reparation Commission's agreement, for no agency of the Government would dare exercise this option if they were in danger of meeting the open competition of German direct representation here. But if a licensing system as provided in the bill is established, the Tariff Commission can act co-operatively with the Reparation Commission and draw the needs of this country from that supply until such time as our industry has made itself 100 per cent independent.

I ask you, gentlemen, to consider the condition this country

would have been in on that date in 1916, when all the chemical industries of Germany were united in the I. G., if the war had not come with its alarm and its instruction, through her failure to heed that warning of Senator Aldrich in 1910. But the war, and its consequences, has given us a dye industry upon whose development depends the extent of our independence and freedom from this potential danger. The dependent industries have been short-sighted in the past. Are they not all the more so now, when, with these facts before them, they oppose the measures which the dye industry claims are necessary to its development? We cannot treat the peril as past, if any one has attempted to do so, let them contemplate the following documents:

“KUTTROFF, PICKHARDT & CO., INC.

“No. 128 Duane Street

“NEW YORK

November 22, 1919.

“DEAR SIRs:

“As considerable confusion has arisen respecting the importation of Indanthrene and other Coal-tar Dyes, we submit the following:

“It is our understanding that the Government adheres to its policy to have no official dealings in dyes except to the extent that the Textile Alliance was made the official agency to bring over the dyes acquired through the Reparation Commission. After the quantity of dyes acquired through the Reparation Commission is exhausted, and further supplies are needed, recourse must be had to what may be at the free disposal of manufacturers. The public press has recently reported that Dr. Herty obtained an option on Indanthrene Dyes: these reports are apparently erroneous, and we have today received information from abroad that no option has been given for Indanthrene Dyes. We are in a position to procure a substantial quantity of these goods, licenses were originally issued to us, we placed orders abroad, and we procured export licenses. However, in our desire to accelerate deliveries of those dyes to our customers, we surrendered many export licenses to the Textile Alliance.

“If the full six months' allotment cannot be secured from the Reparation Commission, we feel confident that the Textile Alliance will facilitate consumers in a readjustment of their licenses, in order that they may procure their pro rata share of the dyes controlled by the Reparation Commission, and the balance through us.

"We offer you our services in this matter. Our charge will be 10 per cent commission on final cost.

"Any license plan will always make for delay and it is to be hoped that Congress, which we understand will take up this matter shortly, will be advised by consumers that license of imports is prejudicial to their interests and should not be adopted.

"It is to be hoped that normal conditions may soon prevail again and that we may import such goods as are needed by the Textile Manufacturers, keep them in stock and meet requirements promptly.

Yours, very truly,

"KUTTROFF, PICKHARDT & CO., INC.

"(Sgd.) Fred'k Kuttroff, Secy."

"November 14, 1919 (X7380)

"To Anilfabrik, Ludwigshafenrheim.

"We fully expect modification Government regulations which will permit us to confirm our orders. Stop. This will enable you to maintain your position that all goods to this country outside Reparation goods should come to us.

"PURPURING" (K., P. & Co.)

These documents show that the methods of April 1915, are the methods of today. We sought to obtain six months' supply, which the necessities of today's production of the dependent industries demand. The I. G. does not want this licensing system passed, it therefore uses the strain upon the industries to force opposition to this system.

Senator Nugent. What year?

Mr. Garvan. This year.

But at any rate we did accomplish two things. We lent our support to the people in Paris at the Peace Treaty and provided against just that personal domination of the German service. We got that by urging upon them the agreement which is in the treaty whereby for five years the Allies have at their disposition 50 per cent of the products up to that date manufactured and control over 25 per cent to be manufactured during the next five years; because not only we but England and France realized just such things as this. They realized that when this cartel was completed in 1916 it had at its command all government assistance. Badische color means color of the royal family; that they were dependent entirely upon the will of Germany and that it was her weapon by which she could have forced any terms she wanted to upon the industries of any country.

We then tried to get the supplies for the people of this country.

This story was told by Dr. Herty but it has not been told you. He found the dyes and we should have the dyes on our docks in New York for the relief of all the industries of America. You must remember too that they were asked to submit bids, it was widespread, every need for six months. The allocations were made as you all know. The orders were sent over to Mr. Herty, and were forwarded to von Wienberg. Everything was satisfactory until the agent of von Weinberg in this country turned the key and America today cannot get the dyes she needs.

November 14, 1919, that eventful cablegram was sent which I have just read you, to which came reply, "Sorry we can't renew your option."

Senator Watson. What is the date of that?

Mr. Garvan. November 14, 1919, this last month.

Senator Watson. Do I understand this was a cablegram sent to this New York firm.

Mr. Garvan. No, sir; it was sent to the German firm by the New York firm of Kuttroff, Pickhardt & Co., Inc.

Senator Nugent. Is he one of the Pickhardts who testified here yesterday?

Mr. Garvan. He is related. There are other cablegrams which went through in code which we have not made out yet.

Senator Watson. Then you interpret that between the firm here and the man over there at the head of the establishment, von Weinberg, an arrangement by which the house here was to be the sole recipient of dyes coming to this country, except what actually were taken by the Reparation Commission.

Mr. Garvan. You see only 30 per cent of our needs we got through the Reparation Commission. The other 70 per cent Dr. Herty was to get by means of a written agreement with von Weinberg to be furnished from the German stock.

Dr. Herty returned. We met, tabulated all the needs of America, and arranged the money to pay for them and arranged for a system of distribution.

The K. and P. Company saw that we were inaugurating the system and that it was likely to be a success; and seeing that America was about to be free from annoyance as to dyes for about six months, they desired to have the licensing system appear a failure; sent that personal telegram and immediately back-fired a telegram, "We can't fill the option—the option is not to be extended."

Senator Watson. At the same time did they decline to send these dyes through this company to these people? Does it prohibit the dyes coming to this country or is the object of this whole

thing on the part of these people here to secure the sole agency?

Mr. Garvan. It is their idea to deal through this sole agency. As I have shown by their cablegram of November 14, 1919, and their letter of November 22, 1919, they sought to bring the system into discredit and to bring as many of their customers, who are anxiously waiting for these dyes, down before you in condemnation of this proposed licensing system.

Senator Watson. To whom is that addressed?

Mr. Garvan. To the trade, I suppose. It says "dear sir." It is a circular I got, and I think sent to their customers.

Now, gentlemen of the committee, Senator Watson points out, and I think his question implies a request for an explanation of why we are so anxious that these importers be not reestablished as the regular importers. That necessitates my telling you the condition which we found when we went into the dye factories or dye agencies of this country. They were six in number. You know the six, Senator Watson?

Senator Watson. Yes.

Mr. Garvan. Of that number, Berlin and Kalle were purely sales agents. I do not believe they amounted to nearly as much as the others in this country; there was no special evidence of their activity except as a part of the group. They are being liquidated because there was nothing left but cash assets and goods and name; that is all. They had no manufactories here.

The first one and the most important one of these others was Bayer, at the head of which was Dr. Schweitzer, Dr. Hugo Schweitzer we found was, through the general spread of these agencies, the head of the Secret Service of Germany in America, and that the entire espionage and survey, practically of our business here in America was done through these dye agencies.

Senator Calder. This man you mention, was he of German nationality?

Mr. Garvan. He was an American citizen, but I think German born, although I will not say about that. I have a sketch of him which will show. Dr. Schweitzer had his number from the Secret Service in Berlin, given by the Imperial Minister of War, 963,192,637, in Berlin.

It had been the principle of Germany to guard this industry as she guarded her life. It has been the principle that nobody outside of Germany should get a toehold into ownership of any of these concerns prior to 1913, but in the prosecutions in New Jersey under the Sherman anti-trust law, it was shown that they were openly and manifestly agents. Then they were threatened by prosecution because of connection with Germany, and doing business with Germany—and we have all the correspondence—

and they sought by more or less successful camouflage to set up ownership by an independent company in this country. That I show you as the first instance almost that we have of their actual disregard of any laws that can be passed here in America. Their correspondence will show you at length the brazen way in which they talked to their people here of evading our laws.

You have been told about the question of corruption. To show you that the so-called reform in 1913 was another conscienceless camouflage just going through the matter of form, I desire to read to you one letter. It is a letter from Dr. Haeuser to Mr. Metz, dated March 30, 1914. You remember those settlements and the payment of \$40,000 and all that took place in 1913, and then you recall how we were told that these people had reformed and started upon a new regime. We find this from Dr. Haeuser, the same gentleman who has been quoted so often. He was the head of Hoechst, and also president of the Society for the preservation of German business in the world. Here is the letter:

(Translation)

"Hoechst a/Main, March 30, 1914.

"MY DEAR MR. METZ:

"I received your two favors of the 3d and 13th of this month and assume that in the meantime you received my letter of the 6th of this month. Your statements interest me greatly and have had my full attention in every detail.

"The matter in regard to the fighting of the graft money conditions seems now through the foundling of the 'Textile Alliance' to have found a certain ending, and it seems to me very proper that you immediately sign.

"For also proper I consider your action in refusing the ideas of the U. S. Worsted Company to bind yourself to a conventional penalty. Our position so far as the question of new organization you have in the meantime learned out of my writing of the 6th of this month. I must say that the more I think about the matter the less I can see that with such a re-(new) organization, so far as the Sherman law comes into consideration, can anything be materially changed. Even a new company would have to stand in the same relation to us as is the case of the F. H. Comp. There exists the fact that we paid you \$200,000, and that this payment, exactly as the Farbwerke-Hoescht Comp., the new company would have to give us certain guarantees. Everything has been done to avoid any violation of the Sherman law, and if Bill No. 13,860 which you mention is passed, then it will be clear that even so far as Indigo is concerned no violation against the Sher-

man law will have taken place. (This refers to the fact that Indigo was a patented product and therefore the fixing of prices would be justified.)

"So far as 'extras' are concerned, I am of the opinion that this practically amounts to simply a transition period and that the same will rapidly go backward. At any rate all our endeavors must be in this direction. Your idea that the paying out of extras in future could be done through a third party in cash as for instance through your carpet mill at Worcester, I do not find happy (sound.) You give yourself through this into the hands of such third party who could at any moment turn against you. To me it seems the idea of increasing the provisions (commissions) of Gagnebin, Widmann, etc., much more right. Perhaps it would be advisable to adopt a mixed system between the raising of the commission for Widmann and your former procedure.

"It is not quite clear to me what difference there would be in the situation, if you instead of one-half the dividends on the business of the Farbwerke, as heretofore, in future only credit us with one-quarter. In reality at the present time you do not credit the half but you credit (send) us only, after deducting the extras, the part remaining. This payment to us is purely your personal matter, has nothing whatever to do with the F. H. Comp. and is nobody else's business. It is this, the compensation therefore we allowed a very considerable amount of about \$300,000 for which you bought the shares back, to stand and that we let you privately participate in our business with a certain amount.

"So far as our other agreements are concerned, I have no objection to having you send these back; our entire relationship is really a confidential relationship and it will be and must without agreements so continue in the future as in the past.

"Regarding the charging of your account in your letter of March 3, page 5, I have to remark that it is not entirely clear, as in the past year besides the hundred thousand dollars you also according to your letter of October 14, 1913, have kept back a further dividend of \$50,000 for extras. As you do not mention these last \$50,000 at all, so it seems to me that you already used this in the previous year for extras. Will you please confirm this? Your personal credit with the Farbwerke-Hoescht Co. has in the meantime also grown considerably, and it does seem necessary that you again bring this to a balance as soon as possible. I also wish very much that you might be saved against such losses like with the Finishing Co. in future.

"From the correspondence I also see that the question of the payment of Hinrich's bill is not yet in order. It seems to me

proper as you at last suggest that you pay the bill and charge it on extras.

"I was glad to learn that the business is so far satisfactory. We will have to be satisfied that the profit on individual transactions will continue to get smaller and that the loss can only be equalized through energetic work.

"With kindest regards,

"Yours, etc.,

(Signed) "DR. HAEUSER."

P. S. To Mr. Hein please extend my best wishes for his jubilee.—"H."

There are other letters of like effect, but I do not think that reading them would add anything to this matter.

Senator Nugent. What is the significance of the word "extras?"

Mr. Garvan. Extras means money given to the Dyers.

Senator Nugent. That is graft?

Mr. Garvan. Yes, sir.

Senator Watson. That means pure and simple graft?

Mr. Garvan. Yes, sir.

Mr. Metz. I will explain that after you get through.

Mr. Garvan. I will be very glad to have you do so, and you might, at the same time, explain the letter of February 6, 1916, from the same man to you.

I want to go on with their activities here. Dr. Schweitzer, as I say, then became the head of the German Secret Service in America, working through these different agencies. Dr. Schweitzer was the inventor of the idea of buying the New York *Evening Mail*. Dr. Schweitzer was the provider of funds for starting the German Educational Union or whatever it was, that distributed German "classics," I have forgotten the title. Dr. Schweitzer was the man who met Dr. Albert when he arrived here. He was the man who furnished him his automobile. He is the man to whom Dr. Albert turned over the balance of his funds, \$1,800,000, on the dock when he left. Dr. Schweitzer spent millions of dollars in this country in espionage and unlawful work. It was perfectly easy for them. The money never went through Bayer's books. They had profits from the China house, and from South American houses; and profits came from all over the world and was paid out personally, and nobody can find a book entry of it. That amounted to some million and a half dollars a year before we went into the war. Dr. Schweitzer conducted the corner by which he got phenol and carbolic acid. I would like to read you just exactly the praise he got from the

Imperial Government of Germany on that score. He made contracts for carbolic acid which the allies were crazy to get for explosives, and which was turned into other lines, as Dr. Bogert showed you carbolic acid could be turned into for manufacturing other things, and the effect of which is best described in Dr. Albert's praise:

"The breadth of high-mindedness with which you at that time immediately entered into the plan has borne fruit as follows: One and a half million pounds of carbolic acid have been kept from the Allies. Out of this one and a half million pounds of carbolic acid four and one-half million pounds of picric acid can be produced. This tremendous quantity of explosives stuffs has been withheld from the Allies by your contract. In order to give one an idea of this enormous quantity the following figures are of interest:

"Four million five hundred thousand pounds equals 2,250 tons of explosives. A railroad freight car is loaded with 20 tons of explosives. The 2,250 tons would, therefore, fill 112 railway cars. A freight train with explosives consist chiefly of 40 freight cars, so that the 4,500,000 pounds of explosives would fill three railroad trains with 40 cars each.

"Now one should picture to himself what a military coup would be accomplished by an army leader if he should succeed in destroying three railroad trains of forty cars, containing four and a half million pounds of explosives.

"Of still greater and more beneficial effect is the support which you have afforded to the purchase of bromine. We have a well founded hope that, with the exclusion of perhaps small quantities, we shall be in a position to buy up the total production of the country. Bromine, together with chloral, is used in making nitric gases, which are of such great importance in trench warfare. Without bromine these nitric gases are of slight effect; in connection with bromine, they are of terrible effect. Bromine is produced only in the United States and Germany. While, therefore, the material is on hand in satisfactory quantities for the Germans, the Allies are entirely dependent upon importation from America."

Senator Nugent. What are you reading from?

Mr. Garvan. I am reading from Dr. Albert's letter to Dr. Schweitzer praising him for his accomplishment in this matter. This happens to be in printed form, which I am using for convenience, but I have the letter.

These are only a few of the activities of these agencies, I might go through them all—well, it is of no use, because, as I said, it does not get us anywhere. But, I tell you, this was the whole

structure of the espionage, and I have books on it. There is not a phase of commercial life that these agencies over here would not make weekly and monthly scientific and careful reports to Germany on. They were soldiers in the Army of Germany. The intent of Germany, of the great chemical industry, was carried out by them. If they have changed, of course, we are all grateful; but, I will say, if they have changed they will not continue to be agents for I. G., because the I. G. has not changed, nor has its purposes changed, which are to control, as far as they can, the industry of the world.

Now, I want to show you just how that affects the situation here. You ask why a high protective tariff would not be sufficient. As I have told you, there is a certain necessity for dyes in this country today, without the shipment that is coming over, that is acute in some lines. I mean in some colors. Manufacturers feel that strain and are bringing pressure to bear to get them, as far as they can. That necessity is only in diminished degree the same necessity created in 1915. No matter how high you put the tariff it is within the power of the representatives of I. G. here to go out to the people in these industries that are under strain, and state the necessity for these specific colors, and say to them: Yes, we have got the color that you need, that you must have, or your factory will close, but we will not give it to you unless you make a ten years' contract with us. It is within their power to say: We will not give you this dye unless you take all of your supplies from us, and make a five-year or a ten years' contract with us for all your dyes.

You know that the country needs vat dyes badly today. You know that Mr. du Pont is about to relieve that necessity, but it will possibly be a month or two or possibly three months, before the full capacity of the country will be relieved, whereas these mills using them need them today. Isn't it within the power of the representatives of the I. G. to go to them and say, Yes, we will relieve that necessity, but only on condition that you make a long term contract with us for all of your vat dyes—

Senator Nugent (interposing). Where—

Mr. Garvan (continuing). One moment. I will prove it by their own documents. Where would Mr. du Pont be with his large investment and earnest effort when he came out three months hence? He would find that the markets of America had been foreclosed against him. Would they do anything like that? The question is answered by the fact that they have done things like that. I will show it to you—

Senator Nugent (interposing). May I interrupt you right there?

Mr. Garvan. Yes.

Senator Nugent. To whom do you refer when you speak of the agents of I. G.?

Mr. Garvan. We have only seen two of them here, Mr. Metz and Mr. Pickhardt. I think they have both frankly admitted that they represent one Hoechst and the other Badische.

Senator Nugent. You refer, then, to agents in this country handling German dyes manufactured by these six German establishments, do you?

Mr. Garvan. Yes sir; which are now one.

Senator Nugent. I understand.

Mr. Garvan. You remember that indigo was, first, a German monopoly. And then England learned to make indigo and then Switzerland learned to make indigo. Let us see how Germany protected themselves against possible competition there:

“Hoechst a/m., Sept. 20, 1919.

“Indigo Convention.

“Very Confidential.

“For the purpose of rendering more difficult any competition that might develop, towards the business, the customers should now be notified that they should make their contracts for supplies now—for a period of 2 years and, of course, at prices with discount allowances, which depend upon the 2-year quantity amount.

“Customers who get a twenty per cent discount on an order of 5,000 Ko. per year, will get the benefit of the 10,000 Ko. prices, with a two-year contract, for 10,000 Ko. at twenty per cent off, also those whose order now amounts of 2,500 Ko. per year on which they get twenty per cent—will get the 5,000 Ko. prices on a two years' contract, less twenty per cent—and those firms whose yearly consumption only amounted to a few casks per year—if they sign a contract for at least 1,000 Ko. for two years—twenty per cent—will enjoy the 1,000 Ko. prices.

“In the case of larger contracts, the advantage will lie in the granting of a larger discount”—I am afraid that Mr. Metz was reminiscent—“according to the quantities contracted for. For example, customers whose early needs amount to 15,000 Ko. at twenty per cent and who can now close a two-year contract for 30,000 Ko., twenty per cent—will enjoy the benefit of an extra one per cent, as well as those firms who will now close a 50,000 Ko. twenty per cent contract, instead of a 25,000 Ko. twenty per cent contract, will enjoy the benefit of an extra two per cent instead of one per cent, etc.

“Furthermore, the following circumstances have been provided for:

“1. The increase of a contract, should now, as heretofore, only

start 6 months from the date of the conclusion of the contract. The contingency of a two-year contract can, therefore, also be extended to cover a now existing contract, in the case of those consumers whose six months time period has not yet expired.

"2. It is allowed, even if the amount of the contract has not been entirely taken up after the expiration of the first year's consumption of the quantities contracted for, in as far as they are entitled to a discount, to grant the discount due on them. Examples. A customer who, up to date, used 50,000 Ko. twenty per cent per year, closes a two-year contract for 100,000 Ko. twenty per cent, and has accordingly the right to a three per cent discount.

"Consequently after taking 50,000 Ko. twenty per cent, he should be entitled to calculate a two per cent discount, while he will enjoy three per cent upon the delivery of a further 50,000 Ko. twenty per cent, and upon the first half of the remainder, one per cent.

"It is understood that, even though he gets the discount accruing to the quantities already delivered, before the settlement of the entire contract, he is not relieved from his obligation to take the remainder of the amount which he pledged himself to take.

"3. Customers must close a contract for the whole quantity which comprises their normal consumption for two years, however, they are permitted to increase same, within six months from the date of the contract, in the event that they think that they will require a larger quantity than that for which they contracted.

"4. On the other hand it is not allowed that a customer who only arranged for a small quantity, as his total consumption for two years, or only closed a contract for a one year supply, should later be permitted to increase same.

"5. The prolongation of the period of time for ordering, provided for thus far, being three months, it also remains in force for two-year contracts; therefore, as if the order period were actually two and one-quarter years.

* * * * *

"6. The amounts contracted for must be accepted, under all circumstances, within the period of time arranged for their delivery, and an extension of the duration of the delivery time, with the exception of the above-mentioned three months, cannot be considered any more.

"To provide for such customers whose two-year consumption will be larger than was provided for in the previously planned scale, and to encourage them to make such large contracts now, for two years, the discount scale continues as follows:

To be discounted

"For contracts of 300,000 Ko. 20 c/c in 2 yrs. 6 o/o—to be discounted.

"For contracts of 450,000 Ko. 20 c/c in 2 yrs. 6 1/2—to be discounted.

"For contracts of 600,000 Ko. 20 c/c in 2 yrs. 7 o/o.

"For contracts of 900,000 Ko. 20 c/c in 2 yrs. 7 1/2—to be discounted.

"Very truly,
"HAUSER."

"Dealers and exporters are prohibited from enjoying the aforementioned advantages."

Senator Watson. What are you reading from?

Mr. Garvan. A letter from Höchst to the Metz Agency in America, to their agency here.

Senator Watson. When was that written?

Mr. Garvan. In 1909.

Senator Calder. Ten years ago?

Mr. Garvan. Yes, sir.

Now, in 1913, we carried it right down to date; in 1913, when the prosecutions in this country threatened the indigo convention as being against the Sherman anti-trust law, and to show you of what value, for instance, your laws may be which might be passed unless they take into consideration the history of the people whom you are trying to protect against. Let me show you what happened after they were prosecuted under the Sherman anti-trust law:

"FARBWERKE VORM MEISTER LUCIUS & BRUNING

"HOECHST AM MAIN

"September 3, 1913.

"Confidential

"Indigo Convention, America.

"Taking into consideration our various verbal discussions of this affair we inform you that our patent lawyer in the United States has entirely changed his view of the whole situation after another thorough examination. He now believes that one cannot exonerate the upholding of the common sales-prices in the existing patent situation, that it has to do with a patented article. We are then in the same position regarding indigo, as toward the other conventions.

"Unquestionably the conditions are not so advantageous in any convention as in the indigo convention, and in case of an attack, much could be said in favor of the same. Our lawyers have pointed out, after taking into consideration all the arguments which can be brought up, that the indigo convention also would fall under the Sherman law, because it is certain that the indigo

prices over there would be cheaper than they are now, if no understanding between our two firms existed.

"Since the indigo convention has already often been introduced, especially in the newspapers and in legal dealings, we are of the opinion that we should not hesitate to suspend the price agreement for America. Since, however, in this convention, only our two firms come into consideration, we believe that it will be possible to take certain preventive measures, so that a sharp competitive struggle shall not ensue, which would surely be only to the disadvantage of our common interests.

"We allow ourselves to offer you the following suggestions:"—

And that was to take the three names mentioned, and which a while ago I did not mention, which took a large part of the indigo production at that time, and go to them and make special terms.

* * * * *

—"So to acquire a certain assurance in this direction, we suggest that each firm shall place at the disposal of their sales houses that quantity that they delivered over there last year, with 5 per cent added, for this and for the coming year. Since 1912 was a good year, and a margin of still 5 per cent is planned, this quantity will not be too scant, should the total sale, however, rise still more, it can always be raised, as we can exchange figures quarter-yearly, and control the stock.

"In this manner it can be arranged that no salesman must refuse indigo to a customer whom he is serving at the time, and on the other hand, that he does not control so much goods, that by price-swinging he can force possession of that of the others. Furthermore, it should be explained to the sales houses that we can not as yet book sales to them dating after 1916, and that they, should they once be able to do business, for which they desire goods after this date, must notify us here beforehand, we would then have to reach an understanding among ourselves.

"We are looking forward to your reply, whether you agree to these suggestions.

Yours, truly,

"BADISCHE ANILIN & SODA FABRIK RUMPH.

Senator Nugent. By whom is that letter signed?

Mr. Garvan. The Badische people, and it is to Kuttroff, Pickhardt & Co.

Then, under date of June 13, 1914, they write:

"Ludwigshafen write under date of June 13, 1914.

"INDIGO PRICE REDUCTION.

"We refer to our respects of even date to the Badische Company regarding cost prices of indigo.

"For your information we are sending you a German circular, together with the supplement, 'Technik,' etc., in order that you may conceive the idea how we carry into effect the price reduction in this country.

"The Badische Co. advised us in memo. of May 26 (I. 730) that Kilpstein made trial deliveries of from 50 to 100 bbls. to the Amoskeag Mfg. Co., Bliss Fabyan & Co., and the American Printing Co. Such large quantities can hardly be called trial lots. It goes to show that these firms do not consider themselves obliged to take their entire requirements from us and from Höchst. It will, therefore, be necessary to watch these firms closely and we hope that in future you will succeed in keeping Kilpstein away from these consumers."

How, they were going to do it we will show you in a moment; how they were going to break it up.

"The considerable reduction of the 'R' sorts, especially of 'R B,' is thought of as a measure of competitive struggle against Hydron Blue. We refer to the German circular we are also sending you, which contains all the necessary information. We request an early report regarding the prospects with the new prices at the Amoskeag Mfg. Co. (combination of ordinary indigo plus indigo R B) and it will also interest us to know if there are any prospects at the American Printing Co., of introducing indigo R B D in place of Hydron Blue 2 B.

"We were unable to make arrangements with Hoechst for the carrying out of the price reduction and the renewal of the contracts in the United States, as it is well known that this is not admissible. We only have come to the agreement that each firm should advise their respective American friends that it would be in the interest of the indigo business, if they also were to make the reduction in the selling prices, that is, corresponding to the reduction in the cost prices:

"1 ct. on the selling price for the ordinary sort indigo.

"2 cts. on the selling price for the ordinary 'R' sorts.

"There is no change in the situation as talked over with you last January, viz., there is no intention to increase the sales by underselling at the expense of Metz."—

I will show you the two sides of this picture—one writing to Metz and the other writing to Kuttroff, Pickhardt & Co.:

—"Of course you must also look out that Metz acts in the same manner and does not disturb our possessions. Our request at the time, not to make new contracts extending later than 1916, naturally is today invalid. We hope that this time the campaign of renewal of contracts will wind up without incidents, in order that you as well as Metz may retain each one's possessions."

That is how Badische treated it. Now, how did Höchst treat it:

“Hoechst a/M., June 8, 1914.

“Strictly Confidential.

“MY DEAR MR. METZ:

“Herewith I am notifying you, in strictest confidence, that we have decided upon a change in the price of indigo. An official letter to you from the Farbwerke, and from the Badische to Mr. Kuttroff, goes off by mail at once.

“Both letters, the wording of which were not previously arranged, go off on the same steamer, so that every one will be informed simultaneously. I will wire the name of the steamer to you in plenty of time so that you can prepare yourself and so manage that you can go out and approach the indigo consumers immediately upon receipt of the letter and to try, on this occasion, to win over something from the Badische trade for our goods, by means of a new settlement.

“As per our arrangement with the Badische over here, the new price is only to be granted to those customers who make a new four-year contract.

“This contract can be made with the present, or if the customer wishes to change, also with a new indigo contractor, and in the latter case the present contractor must deliver the rest of the old contract at the new price and may not make a new contract at a lower price, the condition for a concession on the price of the rest of the present contract.

“Consequently, the new price is only granted to consumers after they have made a new four-year contract, either with the old or with a new purveyor. Whoever makes no new contract must continue to pay the old.”——

You will note that it says——

“This information is strictly confidential and you must attempt nothing until the official letter is in your possession.”

I have here a number of letters which are interesting, I should say, alone to the committee, because they bear upon the way these people have attempted to influence legislation in the past. They show something that is only just for the committee's consideration as to the process. It can be placed in the record, but I do not see any particular point in reading them out here at this time.

Senator Curtis. Submit such of them as you think ought to be printed.

Mr. Garvan. I will submit them for the committee.

Senator Curtis. You do not care to have them printed in the record?

Mr. Garvan. Oh, I do not care. It is submitted for the committee's consideration.

Senator Curtis. You may submit for the information of the committee anything that you wish us to look over.

Mr. Garvan. All right.

It has been the regular course for them to bring pressure upon consumers who are suffering and who come in all innocence to bring pressure to bear upon you. It is my contention that it is a most short-sighted policy to let the inconveniences of the licensing system, which are at their peak now, and we are providing for a six-month's supply, and Kuttroff, Pickhardt & Company will have to take back that telegram when protest is made to the State Department—interfere with our proper consideration of this matter now. And some way or other, when some form of peace treaty, which some day may be made, there is no question about these provisions being in the treaty; in fact, I think your own Finance Committee stated that so far as these branches of the peace treaty are concerned, there is no question about them.

Senator Watson. Have you canceled these licenses?

Mr. Garvan. No; these licenses are in the hands of the Textile Alliance, and they are waiting to hear—until Weinberg withdraws his refusal to fulfill, which he undoubtedly will have to do.

Senator Watson. Have any licenses been granted to importers which have been cancelled?

Mr. Garvan. You will have to ask the State Department.

As I started to say, we are at the peak of the inconveniences of the licensing system. As I explained to you, these gentlemen can go out into the country and work upon the necessity of the consumers of dyes. There is one point that I did not make clear: if there are twenty great consumers of dyes, and take the mention of the shirt makers, who are in distress, there is no question about that; and if one mill, which is dyeing for shirts is short of dyes, and if these agents go to them and get them to consent to make a ten-year contract in order to rely upon the fact that they will get these dyes, they then compel the other nineteen mills to make a similar contract, because then they will be able to put goods upon the market, tomorrow say, which their rivals cannot compete with. The industry must advance together. Therefore, in no time the whole twenty would be compelled, for their business safety, to make the same form of contract. That opens the matter for full line forcing. Upon a high tariff they can work upon the necessities of this leather man or that leather man, or this textile manufacturer or that textile manufacturer, and can say: "We will not give you this dye unless you let us furnish you entirely."

Gentlemen of the committee, you can pass all the laws you want to pass, and make them mountain high, and it will not reach the situation. The agent can say: "I have not enough dye. I have only enough for those people who buy all their dyes from us." Is that a crime? On the other hand, if there is some system by which the market of America may be open for the investor who has invested his money and made a dye, that is all we are after. What the method is, I do not think anybody cares.

There are just one or two other points I want to make: I want to reiterate the fact that we are under a licensing system from Germany now, and will be until we receive our independence due to dye manufacture here.

Senator Calder. Has it been the practice of German manufacturers to make contracts as long as ten years? You spoke of long contracts.

Mr. Garvan. I read one that was four years, and that is all I know.

Mr. Metz. That is the only one, as to indigo.

Mr. Garvan. It is their practice to make them long apparently; and if the necessities of the situation and their own interest demand, no doubt they will make them. Ten years as stated by me was only a figure of speech.

Senator Nugent. It would be to their advantage to do it, wouldn't it?

Mr. Garvan. Certainly.

Senator Nugent. Under existing conditions, more particularly?

Mr. Garvan. Yes.

Senator Calder. If they could?

Mr. Garvan. They could if one mill out of twenty gave way, for the rivals of that mill would have to go to them. Otherwise, they would put goods on the market dyed with a better dye, and the others would have to go to it. And then the other nineteen would have to contract for their dyes, and if they demanded ten years' contracts they would have to make them.

I have only touched upon the position and the activities of these chemical organizations which came before us during the last period of two years, and it was a realization of those conditions which led us to form The Chemical Foundation, which led us to see the necessity of taking over these American patents, because they had never been used as anything but weapons against America. If we gave them to the public they would not be any protection, there would be nobody to look after their infringement by the Germans after the war. There was no way by which we could give them to any public organization or department of

the Government. We had it looked into carefully by Judge Gray, of Delaware, and after full consideration, we had The Chemical Foundation formed. As a quasi public institution, as nearly public institution as possible, under the control of trustees, and Senator Calder can speak for the standing of Mr. Dodge, Mr. Bannard and Judge Ingraham, and the other that men of high type, who have achieved their ambitions in life and who could not possibly use it for themselves. There is nothing in the books of the organization which this committee cannot see for themselves, or cannot send anybody else to see for them. Senator Watson asked if there was the possibility if the trustees went crooked, or the officers went crooked, that it might get into bad hands and become a monopoly. No, gentlemen, there will be 500 stockholders, composed of the smartest and ablest business firms in America. There are 137 now, whose names I will offer to you to be inserted in the record, and 500 of the biggest firms and organizations in America will be in it, each one owning one share of stock in the Chemical Foundation, and everything will be under the protection of the advisory committee. For instance, in dyes, all the dye manufacturers will be interested, with a dye manufacturing committee. In drugs, all of the drug manufacturers, which will have a drug manufacturing committee. In chemicals it will be the same.

The papers submitted by Mr. Garvan is here printed in full in the record, as follows:

LIST OF THE STOCKHOLDERS OF THE CHEMICAL FOUNDATION, INC.

The Abbott Laboratories.
Althouse Chemical Company.
The Aluminum Company of America.
American Aniline Products.
American Cellulute and Chemical Mfg. Co.
American Chemical Society.
American Cotton Oil Company.
American Platinum Works.
American Printing Company.
Aniline Dye and Chemical Company, Inc.
Arnold Print Works.
Armour Fertilizer Works.
Astinook Company.
Atlantic Dyestuff Company.
F. E. Attaeus.
Ault & Wiborg.
Baker and Company, Inc.
H. J. Baker Brothers.
George A. Ball.

Joseph Bancroft Sons.
Barrett Company.
Bayer and Company.
Bethlehem Steel Company.
Bishchoff and Company.
Borne-Serymser Company.
H. Bower Chemical Company.
Bronx Company.
Butterworth Judson Corporation.
John Campbell and Company, Inc.
Capudine Chemical Company.
Central Dyestuff and Chemical Company.
Antoni Chapel.
Cheney Brothers.
Titro Chemical Company.
R. H. Comey and Company.
Commercial Research Company.
Consolidated Color and Chemical Company.
Contact Process Company.
Crocker Burbank and Company.
Samuel A. Crozer.
John C. Dehls.
Diamond Alkali Company.
Dicks-David Company.
Digestive Ferments Company.
John M. Dorr.
Dow Chemical Company.
E. I. DePont de Nemours Company.
Winthrop C. Durfee Dye Products and Chemical Company.
Eastern Drug Company.
Electric Boat Company.
Electro Bleaching Gas Company.
Charles Engelhardt.
Essankay Products Company
Essex Aniline Works.
General Bakelite Company.
General Ceramics Company.
General Chemical Company.
Genessee Pure Food Company.
Grasselli Chemical Company.
Hanovia Chemical Company.
Hardwick and Magee Company.
Heller and Merz.
Hercules Powder Company.
Hess and Goldsmith.

Heyden Chemical Company.
Hooker Electro Chemical Company.
Irvington Smelting and Refining Works.
Isco Chemical Company.
Johnson and Johnson.
Kelly Springfield Company.
E. C. Klipstein.
Walter E. Knipe and Sons.
La Belle Iron Works.
Lackawanna Steel Company.
Lehn and Fink.
Lewiston Bleaching and Dye Works.
Eli Lily Company.
Lindsay Light Company.
Lonsdale Company.
Lowell Bleachery.
John Lucas and Company, Inc.
Mallinchrodt Chemical Company.
Marden-Orth and Hastings.
Francis P. Maxwell.
Merck and Company.
William S. Merrill and Company.
Merrimac Chemical Company.
Metals Disintegrating Company.
H. A. Metz Laboratories, Inc.
George L. Gilmore.
Millville Manufacturing Company.
Monroe Drug Company.
Monsanto Chemical Company.
G. H. Morrill.
Mt. Hope Finishing Company.
Mutual Chemical Company of America.
National Ammonia Company.
National Aniline and Chemical Company.
National Electrolytic Company.
National Silk Dyeing Company.
Naugatuck Chemical Works.
New Bedford and Agawan Finishing Company.
Newport Chemical Works.
Niagara Alkali Company.
Ohio Chemical and Manufacturing Company.
Pacific Mills.
Park-Davis Company.
Patchett Worsted Company.
Peerless Color Company.

Pennsylvania Salt Company.
Permutit Company.
Charles Pfizer.
Philadelphia Textile Machinery Company.
Philadelphia Tapestry Mills.
Powers, Weightman and Rosengarten.
Rector Chemical Company.
Rhodia Chemical Company.
Roessler-Hasslacher Company.
Sayles Finishing Plant.
Schiesselin and Company.
Solvay Process.
Semet Solvay Company.
Sherwin-Williams.
Frederick Stearns and Company.
J. L. Stisel.
E. R. Squibb and Son.
Tartar Chemical Works.
Union Carbide and Carbon Company.
Union Bleaching and Finishing Company.
United Piece Dye Works.
United States Color and Chemical Company.
United States Finishing Company.
United States Industrial Alcohol Company.
Upjohn and Company.
Viscoilide and Company.
Wanskuk Company.
West Virginia Pulp and Paper Company.
Western Electric Company.
Jacques-Wolfe Company.
Youngstown Sheet and Tube Company.
Zinseer and Company.

Senator Calder. I was not here when the side in favor of the licensing system testified. Was any evidence given in this committee about the Chemical Foundation?

Mr. Garvan. Oh, just in a general way. There was very little said about it.

Senator Calder. I would like, if you will, to tell me how it was organized, and how the capital stock was arrived at, and what was paid for the patents?

Mr. Garvan. Having all this history, which I have only touched upon and picked out the salients without bothering you with the other, before me, the situation is this: We saw these patents there, which were of no benefit as they stood. It would be of no benefit to the duPont's or anybody else to develop

them, if, after the war, Germany could come over and exercise the rights under the patent. So they had to be sold. They could be given to the country, but that wouldn't attain any purpose at all, because there would be nobody to enforce them as against Germans bringing goods in under them after the war. They would be just like patents under discoveries of people in the Patent Office, or people in the Department of Agriculture—they go fallow until some smart German comes along, takes them over to his laboratory in Germany, makes some little addition, and then makes them a going concern. We looked around. There was no institution that we could sell them to. Our attention was first attracted to it and to the danger we were in when we sold Bayer & Company. We had not thought of it before. Bayer had a number of patents. And right there I might add, the number of patents does not, of itself, amount to anything. A company may have a hundred patents around one compound. But they are very valuable when properly protected and put to use. We sold Bayer & Company. That was a going concern. That was the only concern that had any real property. It was a Rensselaer, New York. They had quite a big property and a tremendously valuable establishment, the aspirin business. They were making great big money. We sold it, I think, for \$5,400,000. The Sterling Products Co. are conducting the drug end, and the Grasselli Chemical Co. are taking the dye end of the patents, and so forth. We saw this situation. Here was the Grasselli Chemical Co., a great big powerful corporation, and they could go ahead, but there was no property attaching to the other patents, no buildings, or machinery, or organization, or anything. They could go ahead and buy these other patents for very little and have a monopoly, for sure, and then they could just sit back and collect a royalty from the Germans after the war. They did not have to manufacture anything; they did not have to go into business.

So I conceived the idea of forming the Chemical Foundation and putting all these patents into a quasi-public corporation, which would develop them and give them to chemical companies throughout the country. The way the Salvarsan had worked out encouraged us. Mr. Metz was in fear of a monopoly here, he was not afraid of I. G. in Germany. The best answer is the Chemical Foundation. We have licensed six people to make salvarsan. Mr. Metz is the most successful one. We have given it to Squibbs, and three, I think altogether.

Senator Calder. The Chemical Foundation?

Mr. Garvan. Yes, sir.

Mr. Metz. No; the Federal Trade Commission.

Mr. Garvan. Well, they will have to come to us. The price has gone down to thirty-five cents——

Mr. Metz (interposing). No; to sixty cents.

Mr. Garvan. Well, the price has gone down to sixty cents.

To continue: So then we had this board of trustees composed of Mr. Otto T. Bennard, the president of the New York Trust Co., a very successful man, and a trustee of Yale University. And he has just been made the head of the Harkness Foundation. He is a man whose name is synonymous with character and public service in New York City. Then there is Mr. Cleveland H. Dodge, whom you know as being beyond influence in any of this business. Then there is Judge George L. Ingraham, who for thirty-five years has been arbiter on all questions of ethics for the New York Bar, and was judge of the Appellate Division until retired for age, having been often offered higher courts throughout his life. Then there is Ralph H. Stone, president of the Detroit Trust Company, whom you know very well, because he had organized the trust system of the Alien Property Custodian's office as a war worker. Then there is Benjamin Griswold, Jr., of Alexander Brown & Sons, Baltimore, an old, well established and conservative house. These gentlemen had consented to act as the advisory committee for the Alien Property Custodian on questions of the sale of German property. So they have been seeing every side of this activity of the Germans, and knew the whole thing, and we asked them to act as trustees in this new organization. They do not hold a share of stock. They do not receive a cent of compensation. They have the nomination of all officers, and then they said, because of my knowledge of these conditions, which I have described to you today, and of everybody connected with the issues involved, that I become president, also without pay, until such time as the Foundation becomes a going concern. I got two friends of mine to serve with me without pay, one as a vice president, who is with J. G. White & Co., a \$25,000 man, to establish our system, and another man to establish the system of bookkeeping. We have on our payroll three chemists, one at \$5,000. And Dr. Chandler, who has consented to come down and tell us the value of these patents for \$200 a month. We have one young man investigating infringements, and so on.

Senator Calder. How many patents did they take over?

Mr. Garvan. Four thousand.

Senator Calder. The Alien Property Custodian sold them these patents?

Mr. Garvan. It was by private sale by the President.

Senator Calder. For how much money?

Mr. Garvan. Two hundred and fifty thousand dollars.

Senator Calder. Will these patents be of any great value some day?

Mr. Garvan. They may or may not. They would be to any person who was going to try to make money out of them. For instance, anybody who owned these patents and wanted to make money out of them would not be urging you to pass this licensing bill. He would be sitting back asking for as large an amount of German goods to come in as possible, because then he could collect the highest kind of royalty from their coming in. It is a great loss of royalty to the Chemical Foundation to urge the licensing system, but that is not the reason for the Foundation. It is to assist, encourage and promote American industry. Take salvarsan, and that is the most valuable one——

Senator Calder (interposing). The most valuable patent?

Mr. Garvan. Yes, sir. That patent in the hands of a private individual who wanted to confine the manufacture to one man and maintain the price of three dollars and a half, would be worth any amount of money, because 10,000,000 syphilities would want it. We gave it free to the New York State Board of Health, to Massachusetts State Board of Health, and will give it free to any State board of health which will equip itself to manufacture it safely. The Foundation will never get anything from them. We want, by experimentation, to help cure disease. Of course, that patent is not worth anything; I mean, as far as income is concerned, because we want it to help the public and not to make money out of it.

Take the Badische patent on vats dyes; that is susceptible of income, but there is no income possible until somebody in America successfully manufactures the dyes—except upon importation, like this one here. It was suggested that 10 per cent was put upon it—Mr. Metz suggested as a license fee on that, coming in. That was fixed when the allocation right was given to the German agents here. It has been the policy of the executive committee of the Foundation to charge to any manufacturer whatever was needed to encourage him, 2 per cent, 3 per cent, or 5 per cent, just whatever was necessary to encourage him to manufacture. But when a German agent wanted to import it we thought it proper to impose the 10 per cent royalty.

Senator Calder. The men whom you referred to, all of whom I know to be men of unquestionable integrity, may some day retire, and the control of this thing might pass out of their hands and into others; is there a tremendous possibility in that?

Mr. Garvan. With 500 stockholders in the leading firms in

America? The stock is non-transferable. Each man is going to own one share of stock. Just look at the names.

Senator Calder. Senator Sutherland says it is all in the record. Is this a repetition?

Mr. Garvan. I am very anxious to make this statement as fully as possible, because I do not want to have any rumors or anything to interfere with this case. I am pleased and delighted to answer questions to the fullest.

Senator Calder. I am very anxious, too, for information, because the situation would indicate that there is a great possibility of tremendous profits for some people.

Mr. Garvan. If you can take any lawyer in America and he can point out the possibility where the Foundation could ever be used, except to serve the best interests of the entire American people, we stand ready to amend it in any way, shape, or form necessary. If these trustees get crooked, heaven pardon me for expressing the idea. Anyone of these stockholders could walk into court and dissolve the trust agreement, and you would have the industries of America owning the company. I am reminded that they have two shares apiece of the common or voting stock. As I tell you, they are the people who own the corporation. The trustees are self-perpetuating. You have to imagine that if one dies the other four will appoint a crooked man in order to get the idea that anything might happen. They will appoint a man of their own caliber, of course. It will be continuing. At any time they might do any crooked thing a stockholder can walk into court and dissolve them. What can they do if they do go crooked? The charter provides that they must issue licenses.

Senator Nugent. At the end of seventeen years it all passes out of existence?

Mr. Garvan. Except this, we hope this Foundation will never pass out of existence.

Senator Nugent. I say, as far as the patents are concerned?

Mr. Garvan. Yes. All these dye factories, or a number of them, and they will all follow, have passed resolutions which places their entire laboratory equipment at the service of the American Medical Profession, who will lay out a plan for experimentation, which can be done right along with the work of the dye men for the benefit of any investigations that our medical fraternity wants made for it.

Senator Calder. These patents cover dyestuffs?

Mr. Garvan. No, sir. There may be some related things.

Senator Calder. Other than chemicals?

Mr. Garvan. No, sir. There may be some related things.

Senator Calder. I mean other than drugs or related things.

Mr. Garvan. No, sir.

Mr. Choate. It covers some apparatus.

Mr. Garvan. Is there any question anybody else would like to ask about this Chemical Foundation?

It is our pride. It is something we are proud of. And I think it is like the licensing system. Gentlemen, the thing to find out in connection with legislation is, what I. G. does not want. You are legislating against I. G. It is what they are afraid of. Have you heard one of them do anything but sit with smiles when you are levying the highest tariff you can levy? No; it is the Chemical Foundation and the licensing system that rankles in their hearts. It is these two ideas they are against. Licensing system may be an unfortunate word, and I have no suggestion as to what form it should take, but it is that idea I want to introduce.

Senator Nugent. A very large number of these patents will expire in seventeen years, will they not?

Mr. Garvan. They are expiring all the time.

Senator Nugent. All of them will expire in that time?

Mr. Garvan. Yes, sir. That is why the trust agreement was made for seventeen years.

It is a Delaware corporation, and it was suggested that that brought it very close to the du Pont. The reason for it was that Judge Grey was our legal adviser in the matter, and we formed the corporation in Delaware because that was the one State we knew of, that would allow stock to be trustee for seventeen years, while New York only allows it five years. That is the reason it was formed in Delaware, and yet the accusation was made against it in one of the hearings that it was near the du Pont.

Senator Nugent. These patents are property of the 500 stockholders of the Chemical Foundation?

Mr. Garvan. Yes, sir; but they can never derive beyond six per cent on the money they put in. \$500,000 was put in and \$250,000 was paid to the government, leaving \$250,000 working capital until such time as the people began to manufacture, and we can get royalties. We have only received \$15,000 in royalties by this terrible corporation, although it has been organized for more than a year; and it is because the stuff is not being manufactured yet to any great extent. But a stockholder can only receive six per cent on the actual cash put in. All the balance, if there is any balance of profits, must be spent by the trustees for the encouragement of chemical advancement in America, either by way of encouragement in colleges or scholarship or the establishment of research laboratories, or whatever, in their judgment they may see fit to devote that surplus to. So that, so far as I

can see, nobody on earth could make anything out of it except the common benefit to America. Nobody draws salaries except the chemists at work finding out what is in these patents.

I now offer in evidence the constitution and by-laws of the organization, which shows it is an industries-owned institution:

"CONSTITUTION AND BY-LAWS
"CHEMICAL FOUNDATION ADVISORY COMMITTEE

"ARTICLE I.

"Name

"The name of this Committee shall be the CHEMICAL FOUNDATION ADVISORY COMMITTEE.

"ARTICLE II

"The Chemical Foundation Advisory Committee is established subject to the supervision and control of the Board of Directors and President of the Chemical Foundation, Inc., to promote in all lawful ways the interests, objects and purposes of the Chemical Foundation, Inc., to cooperate in an advisory capacity with the Foundation in the determination of its general policies and of its policies regarding the forms, limitations and distribution of licenses under its patents, and to render such other services to the Chemical Foundation, Inc., as may be deemed beneficial to the Chemical Foundation, Inc., and to the Public Safety and Welfare.

"ARTICLE III

Organization of the Committee

SECTION 1. The Advisory Committee shall consist of the President and Vice-President of the Chemical Foundation, Inc., a representative of the American Dyes Institute, and a representative of the Manufacturing Chemists' Association of the United States, to be respectively chosen by each Association; the Chairman of the Section Committees and not to exceed five committeemen at large, to be chosen by the President of the Chemical Foundation, Inc.

"The Advisory Committee shall supervise and direct investigation of any and all matters which the Board of Directors or President of the Chemical Foundation, Inc., may refer to it, and shall report thereon to said Board of Directors or President, shall appoint such special sub-committees as it may deem necessary, and may abolish the same, and shall have such other powers and duties as may be given to it from time to time by the President and Board of Directors of the Chemical Foundation, Inc.

"SEC. 2. Meetings of the Advisory Committee. A meeting

of the Advisory Committee shall be held immediately after the Annual Meetings of the Section Committees, as hereinafter provided for. Regular monthly meetings shall be held at 2.30 o'clock, P. M., on the third Wednesday of each month, and special meetings may be held at the call of the President or Vice-President of the Chemical Foundation, Inc., or by request in writing to the Secretary signed by three members of the Advisory Committee. At least five days' notice of such meetings shall be given to each member of the Advisory Committee. Five members of the Advisory Committee shall constitute a quorum.

"ARTICLE IV

"Officers

"SECTION 1. The officers of the Advisory Committee shall be a Chairman, a Vice-Chairman, who shall be respectively the President and Vice-President of the Chemical Foundation, Inc., and a Secretary, who shall be elected annually by the Advisory Committee at its annual meeting. The Secretary shall hold office for one year and until his successor shall have been elected and shall have accepted office. Any vacancies in office shall be filled by the Advisory Committee. The Secretary need not be a member of the committee.

"SEC. 2. The Chairman shall preside at all meetings of the Advisory Committee. He shall be a member, ex-officio, of all sections and all committees and shall perform such duties as are necessarily incident to his office.

"In the absence or disability of the Chairman his duties shall be performed by the Vice-Chairman. The Vice-Chairman shall be a member, ex-officio, of all sections and all committees.

"SEC. 3. The Secretary shall keep a record of the proceedings of the Advisory Committee and of all other meetings of which a record shall be deemed advisable by the Advisory Committee. It shall be the duty of the Secretary to issue notices for all meetings of the Advisory Committee. He shall perform such other duties as may be delegated to him by the Advisory Committee.

"ARTICLE V

"Organization of Sections

"SECTION 1. The stockholders of the Chemical Foundation, Inc., shall be divided into the following sections for the purpose of assembling in groups of like or kindred interest:

- "1. Dyes and intermediates.
- "2. Pharmaceuticals and medicinal chemicals.
- "3. General chemicals and fertilizers.
- "4. Textiles, including dyers and finishers.

"Additional sections shall be formed from time to time when in the opinion of the President or Board of Directors of the Chemical Foundation, Inc., there is a sufficient number of stockholders of like or kindred interest to justify their formation.

"Each stockholder shall designate the section into which assignment is desired, and shall be so assigned. No stockholder shall be assigned to more than one section except upon approval of the President or Vice-President of the Chemical Foundation, Inc.

"SEC. 2. Sections shall be represented by a section committee of not less than three, elected by and from the membership of each section. The Chairman and Vice-Chairman of the Advisory Committee shall be ex-officio members of all sections and all committees.

"SEC. 3. Each section may adopt its own rules and regulations, provided such are not inconsistent with the Constitution and By-laws of the Advisory Committee.

"SEC. 4. Each section shall elect its section committee at the time of the Annual Meeting, or at the time of any special meeting of the stockholders called for the purpose. Section Committees shall have power to elect their own chairman and to fill vacancies. No person shall be chairman of more than one section committee. Each chairman of a section committee shall be ipso facto a member of the Advisory Committee.

"ARTICLE VI

"*Section Meetings*

"SECTION 1. Annual Meeting. The Annual Meeting of all sections shall be held immediately following the Annual Stockholders Meeting of the Chemical Foundation, Inc., and at the same place.

"SEC. 2. Special Meetings. The Secretary shall call a special meeting of any section or section committee, whenever directed to do so by the Advisory Committee, or whenever requested in writing to do so by five or more members of the particular section. Each such request in writing shall state the object or objects for which the meeting is desired, and no object not so stated shall be acted upon at the meeting.

"SEC. 3. Notice of Meeting. At least 14 days' written notice or 7 days telegraphic notice of the Annual Meeting or of any special meeting shall be sent by the Secretary to each member. Notice of each special meeting shall set forth the object or objects for which it is called.

"SEC. 4. Quorum. A quorum at any annual or special meeting of any section shall be not less than three members in person

or by proxy, unless and until such section shall by resolution otherwise provide. Less than a quorum may adjourn any meeting for a period not longer than twenty days.

"SEC. 3. Each member shall be entitled to one vote, irrespective of the amount of stock of the Chemical Foundation, Inc., held, and may vote in person or by proxy, provided the proxy be duly executed in writing within two months prior to the meeting at which it is presented for use. A proxy given for any meeting shall, unless notice of revocation is delivered to the presiding officer, hold good for adjournments of that meeting.

"ARTICLE VII

"Resignation and Withdrawal

"Any member may withdraw from any section by giving written notice of resignation to the Secretary, and any member who ceases to be a stockholder of the Chemical Foundation, Inc., shall ipso facto cease to be a section member.

"ARTICLE VIII

"Amendments

"The Constitution and By-Laws may be amended at any meeting of the stockholders of the Chemical Foundation, Inc., by a vote of two-thirds of the members present in person or by proxy, provided a copy of the amendment or the substance thereof shall have been given in the notice calling the meeting.

"The Advisory Committee may amend the Constitution and By-Laws at any meeting by a vote of two-thirds of the members present, subject to ratification at the next succeeding meeting of the stockholders of the Chemical Foundation, Inc."

Mr. Garvan. It may be of interest to the committee to see Dr. Schwietzer's analysis of the 1916 tariff. By it you can see that they were not afraid of that.

"Dyestuffs

File 317

"I (von Igel)

"Jr. No. 1048.

New York, January 26, 1917.

"I am respectfully transmitting to your Excellency an expert opinion on the effect of the new duties on dyestuffs handed over to me from an expert source (Dr. Hugo Schweitzer-Bradische Anilinfabrik-Baden Aniline Factory.) As the matter is still in a fluid state and possibly still other changes in the legislation—of which I enclose a copy—will have to be reckoned with, I refrain from more detailed explanation until further notice. I suggest, however, that the expert judgment be passed on to Berlin.

To His Excellency:

THE IMPERIAL AMBASSADOR,
COUNT VON BERNSTOFF.

Washington, D. C.

Translated by J. P. Hoskins.

"The influence of the new customs-tariff and its prospective effect on German importation, and on the development of the American industry into an export industry, and on the chances of the American dyestuff industry in the world market must be considered from two points of view:

"1. During a long war. Should the war still continue for years, then, of course, the industry here would be very much furthered and would have a great boom. The United States does not lack raw materials for the manufacture of dyestuffs of any kind whatsoever. The only product necessary for manufacture that must be imported is saltpeter. The question of price does not play any part in this either, for as long as dyestuffs cannot be imported and must be produced here, the question whether the price of manufacture is higher or lower makes no difference. A longer war will bring the further danger that the plants can be amortized from the great earnings which can be made, and that the factories after the peace can carry on competition with the German dyestuffs more easily.

"The difficulties in manufacture, which are incomparably greater in the manufacture of intermediate products than in the manufacture of dyestuffs from imported derivatives, will be gradually overcome. The greatest lack is that of technically trained chemists. It seems that American industry is trying to emancipate itself in this respect, by importing chemists from Switzerland. One of the largest of the newly founded factories is said to have engaged, together with thirty chemists, Maurice Ceresole who was lately professor of technical chemistry at the University of Zurich, and formerly manager of the French branch of the Baden Aniline and Soda Factory, and had worked still earlier, together with myself, in the Badische Aniline-und Soda fabrik in Ludwigshafen, in order to help build up the American dyestuffs industry here. I have not yet succeeded in finding out which factory has employed these chemists.

"How difficult the production of Derivatives is, is apparent from a letter which was sent to an American manufacturer by the French branch of the Badische Aniline-und Soda fabrik, on September 13, 1915, *i. e.*, over a year after the outbreak of the war, and which in the translation runs as follows:

"We are purchasers of beta-naphthel, beta-naph rylamine, dyphenylamine, dimethylaniline. Will you please tell me whether

you sell these products, and in case you do, please inform us of your conditions and the quantities you can offer us.

"At the same time we beg you to inform us of other raw materials of interest for the manufacture of dyestuffs which you may have to offer us, aside from those mentioned above.

"In case your answer should be negative, we should be obliged to you if you would kindly indicate to us the address of firms to whom we could address ourselves with prospect of success.

"The contents of this letter proves that the branch of the Badische Anilin-und Soda fabrik which has existed since that time, to be sure from derivatives which were delivered by the manufactory in Ludwigshafen, could not itself manufacture such simple intermediate products as beta-naphthel, beta-naphthylamine, diphenylamine and dimethylaniline. This branch had besides the advantage that chemists stood at its disposal which had been trained in the German factory and had been sent by the same to France in order to produce as serviceable dyestuffs as those manufactured in Germany.

"The manufacture of the derivatives offers much greater difficulties for an industry still in the process of development for the reason that such an incredibly large variety of products is necessary. In a well developed industry like that of the Germans, a technical use is found in the end for all these products. In a less well-developed industry and in an industry which is only in the process of development, great hindrances stand in the way of the utilization of these derivatives, many cannot be used at all, and thus become waste products. The price of these derivatives which can be utilized is thereby increased to an incredible degree. In order to make the manufacture and utilization of these derivatives more graphic, I subjoin the enclosed table which shows how many derivatives of a single anthracite coal tar raw product, namely nathaline, are combined with a single basic substance benzidine, in order to form dyestuffs. In a well developed industry all these products are manufactured and ultimately find utilization. Those whose names appear in quadrates are used directly for the manufacture of colors, those which are enclosed in ovals, are at the present time not yet utilized but are subjects of scientific investigation and will ultimately find suitable utilization.

"The manufacture of derivatives stands in Germany on such an incredibly high plane that the prices for the manufactured articles are very low. It would take American industry many many years before the same, even if it will ever be possible at all, could produce these derivatives as shapely as German industry does. In order to show these differences of price, the following examples may be cited:

*It cost in 1908 in Germany,
per lb. in cents.*

*Imported to America under
the tariff at that time.*

\$ 9.28.....	Aniline Oil	\$11.60
16.00.....	Paranitraniline	24.00
23.29.....	H-Acid	34.80
6.20.....	Alpha-Naphthylamine	7.75
9.68.....	R. Salt	14.50
17.60.....	Amido-G-Salt	26.75
11.60.....	Freund Acid	17.25
11.60.....	Cleve Acid	17.25
29.36.....	Gamma	44.00
12.06.....	Salicylic Acid	26.01
26.40.....	Tolidine	33.00
24.20.....	Benzidine	30.26

"These are figures which American industry will never attain. It can be assumed with certainty that the most of these products cannot be manufactured here at three to four times the price.

"The wonderfully developed technique of derivatives will, therefore, for many years to come, give German industry a preponderance over all other lands in which the derivative industry has first to be built up.

"2. After the Peace. The question, what prospective effect the custom duties will have on German importation, on the development of American industry into an exporting industry and upon its chances in the world market, can be answered by a single argument:

"The new tariff divides the products used and manufactured in the dyestuff industry into three groups: raw products, half products (derivatives) and dyes. While the raw products are imported free of duty, on the half products and the dyes, in addition to an ad valorem duty, a specific duty of $2\frac{1}{2}$ cents per lb. and 5 cents per lb. for the dyestuffs is levied.

"Happily the following dyes are excluded from this specific duty: 'except natural and synthetic alizarin, and dyes obtained from alizarin, anthracene and carbazyl, natural and synthetic indigo and all indigoids, whether or not obtained from indigo, and medicinals and flavors.' This exception may well become the sheet-anchor of the German industry. The dyestuffs which are excepted from this specific duty, are the so-called vat-dyes, and these vat-dyes are a comparatively modern achievement of the German dye technique and are in general regarded as the most genuine dyes.

"The pre-eminent enduring qualities of these products have already brought it about, and will do it even more so in the future than the older anthracide coal-tar dyes, which in many respects are inferior to the vat-dyes will be driven from the market. The manufacture of these vat-dyes is very complicated and can be undertaken only in a very highly developed industry. It is

wholly out of the question that a new industry like the American can take up the manufacture of these vat dyestuffs and it may well take a very long time before the dyestuff industry outside of Germany can concern itself with the manufacture of these complicated products. Here the very greatest exertions will not make it possible to cope with the competition of Germany. In our considerations it is of still further importance that these vat-dyes are much dearer than the ordinary anthracite coal tar dyestuffs, which is readily explicable in view of the difficulties of manufacture. But in spite of this higher price the vat dyestuffs, on account of superior tinctorial qualities, are finding a more and more widely extended sphere of application in all fields of the textile, leather, paper, etc., industry.

"The history of American tariff legislation has shown that in general a protective tariff of 30 per cent ad valorem does not afford sufficient protection to create an American industry. If this was the case with the old anthracite coal tar dyestuffs, of which only a few staple kinds were ever manufactured here, and these for the most part from derivatives which were imported from Germany, a protective tariff of 30 per cent is, of course, absolutely insufficient for the most complicated vat dyestuffs.

"In recognition of this fact the new tariff provides the specific duties in order to provide a far greater protection for the American industry.

"But the new tariff now specifies the following in regard to the specific duties:

"'But if, at the expiration of five years from the date of the passage of this Act, the President finds that there is not being manufactured or produced within the United States, as much as sixty per centum in value of the domestic consumption of the articles mentioned in Group II and III of section five hundred, he shall by proclamation so declare, whereupon the special duties imposed by this section on such articles shall no longer be assessed, levied or collected.'"

"Here is where the German industry must apply the lever. It must, in any case, of these vat-dyes which must be regarded as the 'highest quality' goods of the industry, dispose of in the American market more than 40 per cent of the total consumption in derivatives and dyestuffs, in order that the President will be in the position to abolish the specific duties. If this is actually made possible, and the President must abolish these specific duties, then the German industry will be in the same position as before the war, and has only to deal with the duty of 30 per cent ad valorem which, as has already been elucidated above, was insufficient in the past to create an American industry.

"That it should be as easy as child play for German industry

to sell as much vat dyestuffs in the United States that the value of the same will amount to 'sixty per cent in value of the domestic consumption of the article mentioned in Group II and III of section five hundred,' is apparent from the following considerations:

"1. The vat dyestuffs have in the past, and will even more so in the future, supplant the old anthracite coal-tar dyestuffs.

"2. The money value of the vat dyestuffs is uncommonly higher than the money value of the old anthracite coal tar dyestuffs.

"3. The importation from Germany of these vat dyes amounts today already to 27.63 per cent of the money value of the total dyestuffs importation.

"From the statements of the *Chemical Journal* of the year 1914, we gather for the year 1913, the following figures for imports into the United States:

		Percentage of the whole	
Indigo	\$ 1,316,913	13.08	
Alizarian	178,587	1.77	
Antracene dyestuffs	1,207,037	12.78	27.63
Aniline dyestuffs	7,288,471	72.40	
	<hr/>	<hr/>	
	\$10,071,008	100.03	

"In this connection, however, we must pay regard to the fact that Germany in the year 1913, imported to the United States derivatives to the value of \$1,086,300. The foregoing percentage of 27.63 is somewhat lowered thereby. On the other hand the production of the old aniline dyestuffs out of derivatives which have been imported from Germany, would naturally decrease from the increased exportation of vat dyes, so that in our reckoning the value of the derivatives can in fact, be entirely neglected.

"The high price of vat dyes which is on the average four or five times as much as that of the old aniline dyestuff consumption. From a recently published list it turns out that 511 dyes, to the value of \$7,500,000, have been imported into America, that is, the average import value of a dye amounts to \$14,000. In this list four vat dyes are given, which, altogether, were worth \$214,000, so that the average price of \$14,000 for dyestuffs in the case of all dyestuffs, rises to about \$50,000 for the vat dyes, *i. e.*, amount to about four times the average value.

"When the time shall have come that the German industry will import more than 40 per cent of the vat dyes, and in America less than 80 per cent of the value of the domestic consumption will be manufactured, then great difficulties in the calculation of these figures will emerge, and it will depend on the party politics of the President at that time, whether he will make an honest

effort to abolish the specific duty or not. How is this 'value of the domestic consumption' to be reckoned? How will the customs prices be taken into consideration in connection with the freight rates, and with the expenses of insurance and of business? In the case of the domestic industry how will the expenditures for amortization, for general business expenses, trade mark, and patent ownership be counted in the calculation?

"From these arguments it is clear that the salvation of the German dyestuff industry is to be sought in the development of vat dyestuffs chemistry. The tendency to develop this field to the highest degree possible, existed already before the outbreak of the war. The new tariff brings then no change in this line. For the industry after the war also no change would arise in this regard, since in any case Germany will be compelled to manufacture and to export high grade goods in the entire industrial field in contrast to articles demanded in large quantities, which can, little by little, be produced in all countries.

"In the competition in the field of goods demanded in quantities German industry will in the end not fare much worse under the new tariff since, by the manufacture of derivatives forced upon American industry, the dyestuff manufactured thereof, will stand them at a much dearer price, so that the old tariff rate of 30 per cent ad valorem will mean a still smaller protection for the American industry. This will not, of course, come completely to light until the specific duties have been abolished, but even if these specific duties are not abolished the higher prices of derivatives will tend more and more to eliminate the difference between the protection, which the old percentage of 30 per cent plus specific duties afford."

Mr. Garvan. I want also to offer in evidence an article by Dr. Schweitzer, who knew more about this chemical business than any other man in America. He was a great scientist and a very able man. He wrote this article, called "*The Chemist War*," which gives exactly the situation a year or two ago in the chemical world:

THE CHEMISTS' WAR

"We fear German efficiency." That is the reason assigned by the editor of the most prominent Anglo-American newspaper of New York for the anti-German attitude of his possibilities. The efficiency of the German nation is indeed wonderful, but instead of inciting our antagonism it should serve as a lesson, it should arouse our admiration, and above all, should cause us to apply ourselves as industriously and as indefatigably as the Germans do, so that we shall no longer fear them, but emulate and even surpass them. Our task compared with that of the Germans should

be relatively simple, as we have natural resources superior to those possessed by any other nation, and, unlike the citizens of European countries, we inhabit a continent which is secure against all aggression.

"In no other field has German efficiency proven its superiority more than in that of chemistry. While this was undisputed before the present war, it is no exaggeration to state today that the German chemist has so far contributed as much, if not more, to the success of the campaign than the strategist, the army and the navy, and that, therefore, the present holocaust may be justly called the Chemists' War.

"Germany, deprived of all imports by the seapower of England, has been transferred into a self-supporting country by the chemist. This necessitated a readjustment along the whole line. Food for the people and fodder for animals had to be provided within the confines of the empire. Materials had to be manufactured which hitherto had been imported, and substitutes had to be improvised for raw materials, the supplies of which had been cut off by the English blockade.

"The most remarkable results have thus been achieved in agricultural chemistry, and nothing has been of greater consequence than the method by which Germany will render herself forever independent of the importation of fodder, for which she was obliged to expend annually 250 millions of dollars. Most of this money went to the United States for so-called concentrated feed—cottonseed oil cakes, corn oil cakes, and similar by-products—the export of which has contributed largely to the profits of the agricultural industries of our country, and, therefore, to the prosperity of our farmers, especially those of the South and Middle West.

"It will be of general interest to describe how this great deed was accomplished. It has been known for some time that in the process of fermentation, that is, the conversion of sugars into alcohol by means of certain lower orders of plants, such as yeast, albuminous substances are generated by the growth of the yeast. But the amount of such albumen was very small, in fact its formation during alcoholic fermentation, was considered most undesirable, as owing to its presence fusel oil and other impurities were produced. About 1910 it was realized, however, that the albuminous matter contained in yeast might be of value as a food for human beings and as fodder. Experiments were at once undertaken in a most systematic and comprehensive way by the Institute for the Fermentation Industry in Berlin, and soon two varieties, a pressed food yeast and a pressed fodder yeast, were obtained which were found to give highly satisfactory results in

practical feeding experiments. The only trouble was the small yield of albumen which made the process unprofitable. During the last few months this difficulty has been overcome, and on April 3 public announcement was made of the complete success of this process. The favorable results were brought about by carrying out the fermentation in the presence of sulfate of ammonia as a source of nitrogen, which by the metabolism of the yeast is converted from its inorganic into its organic form (albumen).

"From 100 parts of sugar by the use of 52 parts of ammonium sulfate 270 parts of pressed yeast have been obtained; indeed experiments have been published according to which 100 parts of sugar furnish 100 parts of water-free dry yeast. Yet even these incredible yields and the fact that Germany is the largest producer of sugar in the world, would have availed nothing if sulfate of ammonium, the nutrient of the yeast, could not be procured at an economical cost.

"But chemical ingenuity also provided a source for this material which is likewise employed very largely as a nitrogen fertilizer. It has always been recovered as a by-product in the coking of coal, an industry in which Germany leads the world. But largely it has been produced on an extremely large scale by direct combination of hydrogen and nitrogen, as carried out exclusively in Germany. The nitrogen needed in the manufacture of sulfate of ammonium is obtained from the atmospheric air and in this form is converted into albumen by the yeast. We have here the most interesting and most direct transformation of nitrogen from the air in food albumen. Hitherto this conversion has been most complicated. The inorganic ammonium sulfate has served as a fertilizer for bread cereals and those grains and plants which are used as fodder; animals are raised on this, and when slaughtered, their meat furnishes a large part of the albumen contained in our food. How complex and tedious this process is, appears from the following fact: Cereals and plants require from 6 to 8 weeks for their development, they grow only during about one-third of the year, the months of May, June and July, while their production is restricted by the area on which crops can be raised. The animals require space for their keeping and they must be tended with extreme care.

"On the other hand, yeast plants develop very quickly and attain their full growth within a few days. They thrive in any kind of receptacle independent of rain or shine, they need no light and can be grown all the year round.

"The production of yeast is not a new departure; in fact large amounts are today produced in the distillery industry, in the

brewing of beer and the manufacture of wine. The yeast formed in these processes of fermentation is a by-product, which after compression is extensively employed in the baking of bread, cake, etc.

"In the new fermentation processes, however, the main object is the production of yeast which is intended to be used as an albuminous food for human beings and animals.

"2. Besides its value as an economical substitute for animal albumen, yeast will be preferred by many people who have an aversion to meat or who consider the slaughter of animals for food purposes cruel and disgusting. Its importance will be further realized by bearing in mind that it affords the vegetarian the required amount of an albumen which as regards nutritive properties is ever superior to meat albumen since it contains two per cent of lecithin which is of great value as a nerve food and tonic. Yeast also contains vitamins which are so necessary for nutrition, and the absence of which in our dietary is the cause of much sickness. Take, for example, Beri-beri, a disease which is caused by the eating of polished rice from which the vitamins, which are present in the hulls, have been removed. Meat, on the other hand, is said to be the cause of various diseases, such as gout, arteriosclerosis, kidney affections, etc.

"As far as the price of this yeast is concerned, it is stated that the amount purchasable with 1 Mark (24 cents) yields 904 calories, which 1 Mark's worth of beef gives only 623 calories, and that one pound of dry yeast is equivalent to 3.3 pounds of medium beef.

"As mentioned above, the economic production of the new food yeast could not possibly have been of such enormous importance if the German chemists had not also provided in the nitrogen from the air a new and profitable source for the manufacture of sulfate of ammonium. Hitherto atmospheric nitrogen could be utilized only where cheap water power was available. This was solely the case in Norway, and consequently very large plants were established there in which nitrogen obtained from the air was converted into nitric acid and nitrates. The cost of power per certain units in Norway was about \$4.50, compared with \$18,000 in Niagara Falls. Owing to the existence of inexhaustible deposits of lignite coal in the neighborhood of Cologne and in Anhalt the Germans are able to produce the same unit at \$7.50. Although this price at first sight is higher than that of Norway, it means in reality greater cheapness all around. There is hardly any industrial development in Norway, and almost all chemicals and apparatus must be imported and the finished products exported. As this is not necessary in Germany, where in addition to a highly organized industry there exists the most perfect and

cheapest inland water transportation system, the price of \$7.50 compared with \$4.50 in Norway, is actually cheaper.

With this cheap power Germany utilizes the nitrogen from the air not only for the manufacture of nitric acids and nitrates, but also for the production of ammonia, ammonium sulfate and calcium cyanamide. Indeed, new nitrogen compounds have been lately discovered, which threaten to revolutionize our present system of fertilization. This new industry, to which the war has given the impetus, has assumed such dimensions and has given such unexpected results, that the Government requested the German parliament to grant an imperial monopoly for all these nitrogenous materials. The chemical industries are fighting such measures because it is believed that they would interfere with the development of the new method. From the documents published relative to this nitrogen monopoly it appears that chemical compounds have been discovered, the efficiency of which as nitrogenous fertilizers allows the production of a material suitable as an *universal fertilizer*. Today nitrogenous fertilizers are employed mainly in two forms, namely, as *saltpeter* (chile saltpeter), which is a nitric acid salt, and as sulfate of ammonium, which is an ammonium salt. It is the task of the intelligent farmer to decide at what time in the season and for what crops one or the other, or mixtures of these forms must be employed. The universal nitrogenous fertilizer which the German chemist has discovered, is very likely a new substance which unites the nitric and ammonia forms in chemical combination, and is perhaps more economically produced than nitrate of ammonium, which is already known as such a compound, and in great favor as artificial fertilizer.

"That this new scientific achievement will prove of momentous importance appears from the fact that the great chemical works which supply the world with dyestuffs, synthetic remedies, photographic developers, artificial perfume, etc., have entered the field and have become important factors in the artificial fertilizer industry of Germany. The peace negotiations will undoubtedly culminate in the conclusion of commercial treaties between the nations. What an enormous power will be exercised by that nation when possessing such a universal fertilizer and practically world-wide monopoly of potash salts will have something to sell that every farmer in the civilized world absolutely requires.

"There will be a big rush for the Teutonic band wagon and all the ideas of a nation boycott of the Germans, or of an ostracism of Germany's traders and manufacturers will quickly vanish in thin air.

"In the synthesis of ammonia, either pure ammonia itself, or

ammonium carbonate is obtained, neither of which are suitable for direct employment as fertilizers or yeast nutrient. They must first be changed into sulfate of ammonium and for this conversion sulfuric acid is necessary. This latter product is obtained in Germany very largely from Spanish ores, or from sulfur imported from the United States.

"On account of the war there has been a marked advance in the prices of sulfuric acid and the problem arose how to procure the acid necessary for ammonium sulfate at such low figures as to make the use of this material possible. This task was solved in the most ingenious manner. In Germany large quantities of minerals consisting of sulfate of calcium (gypsum) and sulfate of magnesium are found. It was always known that these chemicals, in reaction with ammonium carbonate, furnish directly ammonium sulfate, but no practical use has ever been made of this theoretical fact. The exigencies of the war, however, caused the testing of this reaction on a factory scale and today, without the use of foreign material, and without the trouble of manufacturing sulfuric acid—by a simple chemical transportation—the desired object has been economically and successfully attained.

"In their endeavor to free themselves forever from the importation of ores for the production of sulfuric acid, the German chemists went one step further and succeeded in substituting these domestic materials, namely, sulfate of barium and magnesium for the Spanish ores and our sulfur. Sulfate of barium and magnesium are reduced by means of coal to their sulphides, which are decomposed by carbonic acid into the carbonates and sulphuretted hydrogen. The latter furnished sulfurous acid and sulfur, either of which may be employed for the manufacture of sulfuric acid. And so sulfuric acid is the most indispensable material in all chemical enterprises; the war thus taught the German chemist how to render his country independent of foreign trade conditions in this most vital branch of his profession.

"Bearing in mind these stupendous efforts expended in the manufacture of artificial foodstuffs, it is interesting to note how, even in Germany, where economy is practiced to such an extent, valuable sources of natural food materials had been neglected in time of peace.

"When the English blockade, however, threatened to starve the women and children of the empire, a careful inventory of the natural resources was taken. It was ascertained that certain plants, which had been regarded useless weeds, possessed considerable food values. Fourteen wild growing vegetables were found which furnished substitutes for spinach, while five plants

supplied excellent materials for salads. But of still greater significance is the fact that nature offered nine varieties of root rich in starch and affording wholesome aliment for man and beast. These unexpected sources of nutritive material will in the future further threaten our export trade to Germany, which has so largely consisted of foodstuffs.

"On the other hand the following demonstration of efficiency is worthy of report:

"Among the visitors to New York on the occasion of the International Congress of Applied Chemistry, in 1912, were two professors of the Agricultural High School in Berlin, Dr. Foth and Dr. Parrow, who both are well remembered by their American colleagues.

"Scarcely had the German army occupied Belgium and Northern France when Dr. Foth was called there to supervise the agricultural resources of the captured territory, and Dr. Parrow was appointed to the same office in Russian Poland. Both scientists at once took charge of the sugar beet and potato crops and their utilization in the interest of the invading armies and the civilian population.

"We are also exporting large quantities of oil and fats to Germany, especially animal fat from our slaughter-house industries, and cotton-seed oil. By a treatment with hydrogen the German chemist transformed cheap grades of oils, fatty wastes of all kinds, and most important of all, the fish oils of the Swedish and Norwegian fisheries, into edible fats. Our business in these materials may also be threatened by the cultivation of the sunflower, the seed of which furnishes an excellent oil, which is already largely used for food purposes in Russia. As sunflowers grow almost anywhere, sufficient seed might be raised from which oil could be obtained as substitute for our cotton-seed oil. For Germany, this oil would be of further advantage, as when mixed with the distillation products of lignite coal it affords excellent lubricating oils to replace our best cylinder oil, etc.

"For this purpose Italian olive oil has already been imported during the war in large quantities, but this traffic is now interrupted owing to Italy's entrance into the war.

"As curiosities in the search for foodstuffs we might further mention the attempt of the chemist to utilize the fresh blood of slaughtered animals, which contains highly nutritious substances. Long before the war bread made with the addition of fresh blood to the dough was eaten in some parts of Europe, especially in Finland. This tastes like black rye bread, is very nutritious and very economical. It is interesting to note here that during certain religious festivities a confection consisting of chocolate and

fresh blood is sold in Naples and eaten by the ladies with great relish.

"The agricultural chemist has also undertaken the task of supplying Germany with a substitute for cotton which can no longer be procured from us. Although it is realized that there are enormous difficulties in the way, a great deal has already been accomplished. Paper spun into threads in special machines serves as substitute for cotton and jute in the manufacture of bags, etc., which need not stand heavy wear and tear. For the manufacture of guncotton cellulose is employed, which is produced from wood pulp by the various refining processes now known. By a preliminary treatment with acid and steam and subsequent solution in liquids such as Schweitzer's reagent, in alkali-bisulfuric of carbon (viscose treatment), common wood pulp is converted into a highly purified cellulose, which for many nitration purposes is superior to cotton fiber. It has already been known for years, that for the manufacture of celluloid, certain tissue papers give better results than cotton.

"Millions of bales of cotton, which might have relieved the congested American market, and might have yielded large profits to our Southern farmers, instead of lying in our warehouses or piers, might have gone up in smoke (?) as smokeless powder, if the Germans could have imported them and employed them for the manufacture of guncotton, etc.

"Even in war time people must think of such frivolous things as dresses and clothes and the German chemists are hard put to improvise substitutes for the ordinary cotton fabrics. Curious to relate, they have made marked progress in this respect. The nettle fiber, which was largely used in Europe as a textile material prior to the introduction of cotton, has again attracted much attention. Most interesting reports are being published and patents being taken out for the utilization of the last fiber of willow bark. Willow boughs are valued as material for weaving baskets. A special school for the cultivation of willow trees—a remarkable demonstration of German efficiency—exists in Graudens, West Prussia. Director Brickwedel, of this school, about ten years ago, suggested the use of the last fiber of willow bark as a textile fiber, since he found it to be very strong and of fine structure. It surpasses hemp fibers and closely approaches cotton fiber in purity and textile strength. According to the patented processes the bark is first spread and dried either by exposure to the air and sun or to artificial heat in a drying room. It is then packed in small holes, which may be kept for years without injury or decomposition. The bark is then treated in an alkaline bath for about five to eight hours, dried and freed from

tannins, and then mechanically freed from wooden fibers like hemp and flax. The fiber thus obtained furnishes an excellent substitute for cotton and is especially recommended for surgical purposes, as it possesses great power of absorption. It also furnishes an excellent paper.

"All these endeavors to substitute cotton may appear ridiculous to us who have been brought up with the idea that "Cotton is King," and that we have been destined by fate to supply this fiber to the civilized world. The farmers who cultivated the madder root and the planters who raised indigo were also inclined to jest when they were appraised of the fact that German chemists had succeeded in reproducing in the laboratories the dyes which their crops furnished, but when the manufactured materials drove the natural products from the markets and left the farmers and planters without a job, hilarity ceased. History may repeat itself and willow bark and nettle, or some other substitute raised on German soil may, in the near future, depose King Cotton. The German chemist has a duty to perform, and with his perseverance and application he does not shrink from any problem however difficult it might appear to outsiders.

"The rearing of silkworms and the production of silk are also undertaken with great zeal. Mulberry trees, the leaves of which are fed to the caterpillars, thrive very well in South Germany and in the Rhine province. This industry is to be developed, not so much to make Germany independent of the importation of raw silk, but for the reason that this occupation offers easy and profitable work to war cripples and invalids—work which can be done in about six weeks of the year.

"The chemist has also succeeded in replacing the product of the camphor tree, which before the war had been obtained from Japan, and is of great importance in medicine and in the manufacture of smokeless powder. It is now made artificially in the factory, and it has been found that synthetic camphor not only surpasses the natural in medicinal efficiency, but that it is of greater purity, a stronger disinfectant and cheaper, at least as long as war prices prevail.

"The German chemist, who has already solved the problem of manufacturing synthetic rubber, will perhaps also tackle the problem of making Germany independent of rubber imports in another direction. The milkweed plant, which belongs to the *Asclepias* family, furnishes a latex which resembles that of the cheaper grades of rubber. Although the amount of rubber is small and the quality poor, yet the chemist need not despair if he remembers that the sugar beet first used in sugar-making contained only 4 per cent of a very superior grade of sugar,

while today it furnishes 22 to 24 per cent of sugar of such high quality as to be indistinguishable from the first cane sugar.

"Great ingenuity is displayed by the metallurgical chemist in replacing copper by other metals. As a result, the consumption of copper for use for war purposes and for the arts is considerably reduced. With its inexhaustible supply of iron and steel, and its wealth of zinc and a domestic supply of copper amounting to an annual production of 40,000 tons, Germany is in an excellent position to manufacture substitutes for copper. Gun and rifle cartridges, and the fuse-heads of grenades are made of soft iron, with a small percentage of copper and zinc. Buttons, button-facings for helmets, belt buckles, which were formerly made of brass, are now made of alloys free from copper.

"In the electrical industry iron and steel wire are used exclusively. Long distance electric power transmissions are being conducted over steel cables manufactured of aluminum.

"In machinery construction and journal bearings, brass is entirely replaced by steel and iron. Instead of massive bronze, hollow bronze castings, or iron or steel castings coated or covered with bronze, are employed.

"Next to steel and iron, aluminum and magnesium play a prominent part as substitutes for copper. It has been found that an aluminum-magnesium alloy possesses great advantage over the latter as an electrical conductor. Magnesium is said to be useful for many purposes for which aluminum is being employed today. This is a very important discovery, because Germany has enormous supplies of magnesium chloride, a by-product of the potash industry, which has been considered worthless up to now. Two large factories, started during the war, are now producing magnesium.

"While magnesium may thus be obtained from a domestic source, aluminum has been hitherto made from *beauxite*, a mineral imported from France. The necessities of the war forced the chemist to look for a domestic raw material for this important metal. He now uses a cheaper grade of *beauxite* found in Carinthia, Dalmatia and Hungary. But more wonderful still he has succeeded in extracting from cheap clays, which are found in great abundance throughout Germany, a pure aluminum which serves as an excellent raw material for the manufacture of aluminum. Two factories are working these processes and Germany will remain forever independent of these foreign countries, Switzerland and the United States, upon which so far it has relied for supplies of this metal.

"Long before the war varied uses were made of aluminum in-

stead of copper, and in recent years the latter has successfully challenged the heavier metal in almost every branch of electrical engineering.

"According to a statement in *London Times* of January 15, 1915, aluminum has been employed on most of the more important power transmission lines of recent years, the two largest power plants in the world being equipped with aluminum conductors exclusively, one alone absorbing nearly 3,000 tons of the metal. Aluminum is also used largely for short distance power distribution in central stations, railways, etc.; the whole of the feeder connections in the new Westminster (London) power station, for instance, consists of aluminum, while the entire insulated feeder system of the Paris tramways is made of the same metal, the latter absorbing several hundred tons.

"It has been estimated that in America 20 per cent of the total output of aluminum is utilized for electrical conductors. The English war office ranks among the principal consumers of the metal for this purpose. It is of interest to record that Captain Scott, of Antarctic fame, employed aluminum wire for the portable telephone installation which he took with him to the South Pole.

"Actual implements of war, in the manufacture of which the chemist exhibits his remarkable ingenuity, are the various kinds of gun powder, explosives and primers used in cartridges, grenades, shrapnels, bombs, torpedoes, etc. Each of these instruments of destruction requires special grades and mixtures of smokeless powder and of high explosives, such as picric acid, troty (TNT), etc. All these materials are produced from nitric acid on the one hand and cotton, carbolic acid and toluol on the other.

"Nitric acid is generally prepared from Chile saltpeter and sulfuric acid, but in Norway, as described above, it is made from nitrogen of the air and in Germany from ammonia and calcium cyanamide, which themselves are obtained from the nitrogen of the air.

"These recently developed sources assure to Germany an unlimited supply of nitric acid, not only for all war purposes, but for general industrial use.

"Germany has also an inexhaustible supply of benzol and toluol owing to her vast coking industries in which these materials are recovered as by-products. As regards cotton, however, there is great deficiency and, as stated before, the various kinds of refined cellulose and paper must now serve for the production of smokeless powder.

"In view of the fact that this country is furnishing vast

amounts of ammunition to the Allies, it may be instructive to describe how his export has affected our legitimate chemical industries. How great the injury inflicted is, the following instances will show: Nitric acid, which we make from Chile saltpeter and sulfuric acid, has advanced from $3\frac{1}{2}$ cents per pound to 14 cents and at present cannot be bought at all.

"The same is true of sulfuric acid. In fact there is such a demand for this acid that one manufacturer of legitimate chemicals is compelled to ship it in tank cars from the Pacific Coast and pay for goods worth \$15.00 a ton \$30,000 in freight.

"The havoc thus wrought in our industries is irreparable, benzol and toluol, which are the most important starting materials for the production of dyestuffs and synthetic remedies are unfortunately also employed in the manufacture of high explosives, and therefore at present are not available for the needs of humanity.

"Benzol, which cost about 25 cents per gallon before the war now costs \$1.00 per gallon, and toluol which has always been cheaper than benzol is sold at present at the exorbitant price of \$5.00 a gallon.

"Benzol furnishes phenol which in turn is converted into picric acid by nitration; from toluol trinitroluol, which as an explosive is superior to picric acid, is derived in the same manner. Phenol, our most common, effective and cheapest disinfectant, has become well-nigh a luxury. While previous to the war it sold at about 9 cents per pound, it now fetches \$1.50 per pound.

"The prices of trinitroluol have been the subject of parliamentary inquiries in England, from which it appeared that the product was sold to the English Government at \$1.00 per pound and to the French and Russians at \$1.35 per pound. Even at the cost of \$5,000 per gallon of toluol, meaning about 65 cents per pound from which 3 pounds of trinitroluol are produced, these prices afford enormous profits to the American brokers, because one pound of trinitroluol only costs about 30 cents to produce. The poor allies, France and Russia, thus pay him \$1.00 clear profit for every pound of the much desired trinitroluol.

"However gratifying such profits might be they become insignificant, and, in fact turn into heavy losses, when we consider our legitimate industries are suffering. For every workingman profitably employed in the manufacture of arms and ammunition there are at least one hundred idle laborers in the textile industries.

"For the one firm of J. P. Morgan and Company, the huge war contract profits of which have been repeatedly and unfavorably criticised in the English Parliament, there are thousands of

Southern bankers whose money is tied up in unsaleable cotton. The profits in our exports in arms and ammunition are wiped out by the vast loss of money due to our inability to import dye-stuffs, potash salts, cyanide of potassium, sugarbeet seeds, etc., which he hitherto bought from Germany and of which our farmers, our textile industries, our miners are so badly in need.

"How seriously our manufacturing and trade interests are threatened appears from an excellent editorial in the *New York Times*, of July 12, 1915, from which the following is quoted:

"Imports consist principally of goods which enter directly into manufacture, remanufacture of industrial consumption, all requiring labor in some form, so that when imports fall there must be a corresponding unemployment of labor.

"The United States has suffered a greater loss on account of the war than any other neutral nation. All that can be said of the profits arising from the trade in war munitions is that they somewhat offset the enormous loss directly owing to the same cause. The profits of the war trade are theatrical, and they fall into a few hands and are advertised more than they deserve to be. The greater loss falls upon trade and industry at large. There is probably not a wage-earner in this country who has not at some point of contact adversely felt the war, either in what he earns or in the price of what he buys, or both. Investors feel it much. The rise in the rate of interest abroad is a direct hardship to them, because it affects the rate of interest here, and as that rises the market value of old securities falls. Credit by hundreds of millions is extended to the Allies, in order that they may buy here. This credit might otherwise be going into works of development at home—works which in their construction would create a big demand for labor and which when finished would be permanent additions to the wealth-producing machine of all the people.

"These things are so obvious that if it were put to a vote of commercial-minded people to continue or end the war, purely as a business matter, even the manufacturer of war munitions would undoubtedly vote with all the rest to end it. Why? Because the profits from war contracts are fickle, whereas just the normal growth of industry in time of peace is enough for the imagination and capital of the American people to cope with. To argue that the United States has a selfish interest in this war is to betray either ignorance or prejudice. We would much rather sell Europe the goods normally consumed in time of peace and take in payment therefor, not gold which we do not need, nor credit which we could use ourselves, but other goods."

That is a strong argument for an embargo on all exports to all

belligerent nations, which, as everybody concedes, would end the war more quickly than any other measure. The fearful unemployment of our labor and the great losses of our trade and industry at large can only be prevented by a quick end of the war.

"No discussion of this subject would be complete without a mention of the most modern instruments of war evident by the chemists, namely, the poison-gas bombs, the fire liquid and the incendiary bombs.

"At about the middle of last February the war correspondents reported that the French were using a material called Turpinit, after its inventor, Turpin, which was described as a most deadly weapon. It was said to asphyxiate the soldiers in the trenches and its explosion near a herd of cows killed the animals so instantaneously, though dead they were found in a standing position, presenting all the appearance of life. The dead soldiers in the trenches also remained in the attitudes which they had assumed at the very moment they were overwhelmed by the poison gas.

"The gas used seems to have been a nitrous oxide compound similar to that employed in medicine as an anaesthetic.

"About the end of April, the Germans began to use poison gas which, according to the journalistic reports, appears to be liquified chlorine."

Nothing has as yet been published about the fiery liquids which the belligerents are using, but concerning the composition of the incendiary bombs dropped upon London, a coroner's inquest gives the following details:

"The bombs contained an explosive called Thermit. It gave off enormous heat, as much as 5,000, and set everything on fire that it touched. Thermit is a mixture of powdered aluminum and magnetic iron oxide used in welding iron and steel and in repairing broken steel castings. When this mixture is ignited, the oxygen leaves the iron and combines violently with the aluminum, producing a slag which rises to the surface, the molten steel sinking to the bottom. The heat evolved by the reaction is enormous and a temperature can be obtained second only to that of the electric arc."

Mr. Garvan. This is not a political measure. Our trustees are four Republicans and one Democrat. Our officers are Republicans and Democrats. Nobody knew what their politics were until this question was raised by the suggestion, as you will always find is done by the German cartel and its representatives in this country.

Senator Nugent. The trustees, I assume, are in favor of the licensing system?

Mr. Garvan. They are.

Gentlemen, this thing burnt into our minds throughout the past two years, but I do not think anything brought it to my mind so clearly and distinctly as did the fact that after the armistice airships flew over the sea; and during that same week that those ships flew between England and America, the Department of the Interior exhibited in a little vial a new gas that they had discovered but had not put into the war, and it was asserted by our army officials that five airplanes could carry over New York enough gas in one night to annihilate the 5,000,000 inhabitants of that city. Where are we going to get any protection from such gas in the future? There is only one protection possible, and that is, for a country that might send some airships over here with that gas to know that we can send back ships the next night and annihilate the people of the city that manufactured it.

The Germans would never have gone into the war without a consciousness or a feeling of the superiority of their chemical industry. They went into the war, in fact, or got ready for the war the day in 1913 when they had perfected their nitrate plants and were independent of the seas.

Gentlemen, in these two years we have learned to know that this was an industrial war, brought on by industrial Germany in her lust-made haste to capture the markets of the world. Industrial Germany, in its arrogance and pride, preferred the formidable hazard of battle to the progressive and sure infiltration which within ten or twenty years might well have given her the world domination she sought from complacent and unthinking peoples. Industrial Germany was in control of imperial Germany; industrial Germany sympathized and participated in the preparation for this war; industrial Germany waged this war; and industrial Germany was the first to see defeat and forced the military peace, in order that, with her industrial equipment intact, she might continue that same war by intensified and concentrated economic measures. It was Germany's chemical supremacy that gave her confidence in her avaricious dream of world empire; it was Germany's chemical supremacy that enabled her to wage four years of pitiless warfare; and it is Germany's chemical supremacy upon which she relies to maintain the war, and for that supremacy he pays homage to her dye industry and counts upon that dye industry to maintain it. Since 1866 Germany has recognized the fact that upon the development of the dye industry rested her entire development of organic chemistry, and that upon the development of organic chemistry rested, in an ever-increasing measure, all the development of modern business and modern warfare.

And so she cherished the industry with wisdom and prevision while it was still in its childhood, and by her patience, by her

persistence, by the willingness of her people to sacrifice in unselfish cooperation, she gradually transferred the plans made in the year 1866 into the reality of today, and now she realizes that her dye industry constitutes her keenest wedge with which to force her way back into the world trade. She calls the dye industry her chief "protective industry," and has laid out for it a program of state protection and aid which should startle us. She proposes to use the alleged necessity of the world for her dyes to force all her other exports. In other words, she proposes to use it as a club with which to fight her way back into commercial society.

Gentlemen, Dr. Albert and Bernstorff reported to their government that America could never establish the dye and pharmaceutical industry in this country, as we lacked the moral power for the creation of such an industry; that here each party pursued its own selfish interests, but nobody kept the whole in mind; that this problem could only be solved through regard for all points of view, and that the conflicting selfishness of this country rendered that solution impossible. Wrong; wrong; as ever, wrong! Let them await the answer of American patriotism, American sacrifice, and American ability!

We felt that we would like to be a part in the taking of the forces of science developed by them—which they have only turned to the desolation and destruction of mankind—and placing them in the hands of what we believe to be a higher and purer civilization, to see if we cannot, out of the terrible mess of this war, do something constructive with these same scientific forces, do something to direct them into the channels of alleviation and helpfulness to humanity. It is only to give American principles and character a chance that we ask you to hold these people off until we get our education. Then we can meet them without any tariff.

I thank you, gentlemen of the committee.

STATEMENT OF MR. HENRY B. THOMPSON

Granville, Delaware; President of the United States Finishing Company, with offices No. 320 Broadway, New York; and Chairman of the Advisory Committee on Dyes, of the War Trade Board Section of the Department of State.

Senator Curtis. How large a company is yours?

Mr. Thompson. Our company consists of five plants in New England, two in Connecticut, and three in Rhode Island. Our capitalization is \$6,000,000. We do work on commission for the converters, and handle products worth about \$75,000,000 a year.

I have been chairman of this committee advisory to the War Trade Board since May, and I wanted to appear here as a witness in favor of the licensing bill, but I suppose the time for that appearance has passed. However, I feel in justice to our committee, inasmuch as a number of statements which were made on yesterday are absolutely false, as we think, that we should rebut the testimony offered by Colonel Wood, and with your permission I will make a statement which we have prepared:

The Advisory Committee on dyes of the War Trade Board section of the Department of State desires to reply to some of the statements which were made by Colonel Wood in his testimony of December 11, for the purpose of correcting some mis-statements and making some explanations.

In spite of disclaimers to the contrary, the committee is quite clear that Colonel Wood's testimony contains insinuations and inferences, the intent of which is to convey the impression that the members of the Advisory Committee have used their official position for the unfair advantage of private interests. We are willing to allow the personal reputation of the members of the committee and of the companies they represent to stand as a refutation of the insinuation.

In reply to the statement that the consumer members were not representative of their trades, an inquiry into the standing of the companies which they represent and the nature of the products which they produce will be a sufficient answer to the inaccuracies of the statement.

Colonel Wood stated that consumers advocating the license who were satisfied with the American product which they were using should not attempt to say that other industries not thus satisfied should not receive what they need. No consumers propose any such limitation, and the license plan specifically provides that they

should be allowed to import what they need, provided it is not made in this country, satisfactory as to terms of price, quality and delivery.

The committee has been charged with negligence, inefficiency, ignorance, and delay. The following brief history of the facts in the case since the appointment of the committee will be of interest in this connection:

On May 20, the President sent a message to Congress recommending that the dye industry receive the necessary protection for its preservation, and on this same date the War Trade Board announced the appointment of the committee.

Prior to the appointment of the committee, the War Trade Board had adopted the policy of permitting importations of commodities from the occupied parts of Germany only when such importations would be of benefit to the United States as a whole. Dyes and dyestuffs in the opinion of the War Trade Board partook of the nature of those commodities, the importation of which would not benefit the United States as a whole. No importations of commodities from the unoccupied parts of Germany were authorized until July 14, 1919, because it was not until that date that the Allied and Associated Governments decided to lift the blockade.

In order to determine whether, conditions having changed, dyes and dyestuffs might partake of the nature of those commodities, the importation of which would benefit the United States as a whole, the Advisory Committee recommended to the War Trade Board the issuance of questionnaires to consumers and producers of dyes.

Accordingly, on June 9, a questionnaire was sent to producers of dyes for the purpose of ascertaining their production. On June 16 and 30, a similar questionnaire was sent to four thousand consumers.

As a result of this investigation, the decision was reached, and an announcement sent to the effect that "having due regard to all existing conditions, there appears to be no such need for German dyestuffs in the United States as to warrant the issuance of licenses for the importation of any of these articles." The committee recommended to the Department of State that these existing conditions be explained to the consumers. The following is our letter of recommendation:

"July 24, 1919.

"THE HONORABLE,

"THE SECRETARY OF STATE,

"Washington, D. C.

"SIR:

"It is desirable to make plain to the consumers of dyestuffs the

exact status of the present temporary control exercised by the Department of State over the importation of dyestuffs of German origin. For the present no licenses whatsoever are being granted for dyes produced or manufactured in Germany, and it is the opinion of this committee that this policy should be adhered to for this reason. Upon the ratification of the Peace Treaty under Annex VI, paragraphs 1 to 5 inclusive, of that Treaty, there will become immediately available to American consumers needed dyestuffs in adequate quantities at prices and under safeguards to be fixed by the Reparation Commission.

"The need is not so urgent today, due to the available Swiss and English dyes which are being freely admitted, as to warrant this committee recommending the importation of German dyes, because under present conditions they would in all probability be brought in through the old German agencies who are using every effort to regain Germany's hold on the dyestuff industry in this country. We believe the disadvantages of importing through these agencies outweighs the present needs of the American consumers. Any course which admits without control German dyes into this country between the present time and the final action of Congress would, in our judgment, seriously endanger the future of our growing American dyestuff and chemical industry, which is so vital to our industrial and national welfare, by flooding our market with a mass of German dyestuffs which would anticipate our requirements for years to come.

"We recommend that paragraphs 1 to 5 inclusive, of Annex VI, of the Peace Treaty, be made public and that public announcement be made immediately of the above policy."

ADVISORY COMMITTEE ON DYES TO THE WAR TRADE BOARD

We suppose that this letter is the basis of the charge that it was the intention of the Advisory Committee and the War Trade Board that importers of dyestuffs, American citizens, should be driven out of business. A thoughtful glance at its contents will show the exact contrary and that the intention of the committee was to avoid allowing the German manufacturers to consolidate their position for an attack upon our American dye industry and to avoid anticipating the action of Congress. If further evidence of the fairness of the committee upon this point is needed, it will be found in the fact that the War Trade Board made a ruling recommended by the committee permitting the importers to import through the Textile Alliance for their customers upon an equal footing with their customers, except in the one particular that consumers' requirements placed with the Textile Alliance direct were given preference in the order of their allocation over

those placed through the importers as to the pro rata distribution of the Reparation Dyes only.

The conditions referred to above were:

1. The prospects of an early signing of the Peace Treaty which would make the Reparation Dyes available for distribution among the Allies and the United States.

2. A supply of dyes from Switzerland and England was coming in and alleviating the situation.

3. With a very limited number of exceptions, no urgent widespread need had yet been emphatically manifested.

4. At that time the foreign goods containing German vat dyes were not coming into the country, so far as we were informed, in competition with American-made goods colored with non-vat dyes.

5. We interpreted public opinion as expressed through the daily press and in numerous trade journals and resolutions of users of dyes bearing many hundred signatures as practically a mandate to us to not break down the barrier against the importation of German dyes until it could be done without danger to our industry, as Congress might decide.

On August 12, the shirt manufacturers requested a hearing which took place on August 26, and was not managed by the President of the Chemical Foundation and a representative of one of the dye manufacturers, as stated by Colonel Wood, but by the Chief of Sections of the War Trade Board. The shirt manufacturers were given an opportunity to state their difficulties. They met with the fullest frankness and co-operation, evidence of which is found in the letter of their Secretary, a copy of which follows:

"August 27, 1919.

"MR. LAWRENCE BENNETT,

"War Trade Board Section,

"Department of State,

"Washington, D. C.

"DEAR SIR:

"In behalf of the National Association of Shirt Manufacturers, I beg to thank the members of the War Trade Board Advisory Committee and Mr. Garvan as well as yourself, for the cooperation given us yesterday and the courtesies extended to us.

"We feel that the solution of the difficulties arrived at by your Board will not only be of most valuable assistance to the Shirt Industry at this critical time, but also to the entire textile industry and the consuming public.

"Our members in attendance yesterday surely are enthused over the progress made by the American dye manufacturers and take

this opportunity of saying that we shall support them to the limit and will give all the publicity that we can offer to the consuming public when their vat colors are available.

“Yours very truly,
(Signed) “RALPH HUNTER,
“*Chairman Dyes Committee.*”

It was agreed that six months' requirements should be licensed and that the Advisory Committee on Dyes and the War Trade Board would make every effort to see that all obstacles were removed which limited their ability to secure the needed dyes. The only part which the President of the Chemical Foundation took in the meeting was to assure the shirt manufacturers that he would make every effort to have a representative sent to France and to persuade the consumers to form an importing organization which would be ready to receive German dyes by the time they were ready to arrive in this country. Accordingly Dr. Herty sailed for France September 3, as the representative of the Chemical Foundation. The only part of prominence taken by the representative of a dye manufacturer was to explain to the meeting, upon the request of one of the shirt manufacturers what progress the company which he represented had made toward producing the needed dyes.

Colonel Wood stated that licenses would not have been granted as the result of the hearing of the shirt manufacturers if the committee had not been forced to do so through the pressure of their protest. The facts are that in the conference the shirt manufacturers convinced the committee and the War Trade Board by presenting their fear that English goods would be brought in dyed with German vat dyes which would destroy the market for their goods dyed with non-vat dyes, that the time had arrived when the need for German dyestuffs in this country outweighed the disadvantages previously referred to above.

The explanation of the allocation of alizarine black B to the Princeton Worsted Mills and the refusal of an allocation to the Pequea Mills is as follows: The Princeton Worsted Mills applied for alizarin black B, Schultz No. 774-B, whereas the Pequea Mills applied for an allocation certificate for alizarin black B, Schultz No. 862. The Schultz numbers here mentioned refer to dyes of different chemical composition.

An explanation of negotiations from this time on will be given by the representative of the Textile Alliance and others, whose testimony will demonstrate to you where to assign the responsibility for recent delays.

I think we were entirely justified in the position we took at that time, due to the fact that we only received answers from 4 per

cent of the 4,000 questionnaires sent out, that there was any need for the importation of German dyestuffs. Shortly after that the shirt makers applied to the War Trade Board, stating their needs. Their needs were for a very small amount of dyestuff, and under the circumstances we felt that it would be wise for the War Trade Board to grant those licenses. But in order to find out the exact condition of the stuff that was in the hands of the Reparation Committee, Dr. Herty was sent abroad in order to find out the amounts for the means of importation.

The accusation has been made over and over again that there was delay, and I think the intention of the testimony in criticism of our committee has been that this method of our handling of this whole question of importation would be a sample of the handling of a Licensing Board which would come under this bill. In answer to that we simply say this:

That no member of the Advisory Committee on Dyes pretends for a moment that the temporary arrangement which has been in existence was an ideal one. It was an emergency measure, designed as a temporary expedient to meet extraordinary conditions, and because of its very nature and of necessity, with the limited authority of the committee, it operated slowly. They looked upon their part in it as a public duty which they attempted to discharge conscientiously and to the best of their ability at considerable personal inconvenience. This, however, must not be accepted as proof that a permanent organization operating with the authority of a government department, with a sufficient force of men devoting their entire time to the subject, with experts at their call, and with fully tabulated and constantly revised estimates of requirements and production, cannot function properly.

This statement, prepared in writing, has appended to it:

"This statement has been read and approved by the War Trade Board Section.

"Very respectfully,

"ADVISORY COMMITTEE ON DYES,

"War Trade Board Section,

"Department of State.

"HENRY B. THOMPSON,

"FRANKLIN W. HOBBS,

"FRANK D. CHENEY,

"AUGUST MERZ,

"CHAS. H. HERTY."

I should like to file with the reply of our committee, a memorandum which has been issued privately, or at least it has been mailed in envelopes without any card thereon, indicating the per-

son or place of mailing, bearing the signature of six manufacturers.

"MEMORANDUM IN OPPOSITION TO THE PURCHASE BY THE GOVERNMENT THROUGH THE TEXTILE ALLIANCE, OR OTHER OFFICIAL AGENCY, OF DYES DIRECTLY FROM THE FOREIGN MANUFACTURERS.

"The War Trade Board (by executive order of the President, now the War Trade Board Section of the Department of State) so far as the control of imports is concerned, derives its authority from Section II of the Trading with the Enemy Act, which was admittedly enacted purely as a war measure. During the period of the active prosecution of the war the War Trade Board functioned solely as a war agency and, through its Bureau of Imports, restricted and controlled the importation of various commodities in its efforts to conserve tonnage and to divert it to war usages. In administering its regulations it caused serious hardship and heavy financial losses to the numerous importing concerns and other industries dependent upon importations, but it was met on all sides with the fullest cooperation and wholehearted support of the very men whom its regulations affected most seriously. The necessity for the import restrictions disappeared, however, after the signing of the Armistice of November 11, 1918, and within two months thereafter few of these restrictions remained in force, and the various departments of the War Trade Board were rapidly dissolving. Notwithstanding many impressive requests for the continuance of some of the import restrictions in order to protect industries or to stabilize prices, it was only the control over the importation of dyes, dyestuffs and related chemicals of German origin that was maintained. This action was an exception to the policy of the State Department that such protective measures appeared to be the exclusive prerogative of the Congress and that to impose or maintain restrictions for such purposes would be a clear case of supererogation on the part of the War Trade Board.

"An advisory committee on dyes, on which consumers and manufacturers were intended to have equal expert representation, had been appointed by the War Trade Board.

"An advisory committee on dyes, on which consumers and manufacturers were intended to have equal expert representation, had been appointed by the War Trade Board. From a membership of seven, at least two were officers of the largest and most powerful dye manufacturing companies whose interest it is to stamp out competition in the dye industry and to create a monopoly under its own control which would be nothing short of an unlawful restraint of trade. One of these two men assumed

to act as the official representative of the government, assumed to dictate the policies to be followed, and assumed to limit the attendance at various hearings that were held, to these only whose interests were friendly to the dye manufacturer. This same committee which was intended to have fair representation from consumer as well as manufacturer early in the summer of 1919, submitted a report to the War Trade Board, upon which the latter on July 26, 1919, made an announcement (W. T. B. R. 819), in which it was said:

“‘As the result of a careful survey of the present situation in the dye-consuming industry and the unanimous opinion of the Advisory Committee on Dyes, and having due regard to all existing conditions, there appears to be no such need for German dyestuffs in the United States as to warrant the issuance of licenses for the importation of any of these articles.’

“This brought forth violent protests from the consumers and they made it clear to the War Trade Board Section that unless they could receive a quantity of German dyes to meet their immediate requirements, they would be put to unnecessary hardship, trouble and expense, and would be at a disadvantage in competition with foreign textiles.

“Towards the end of August there was a meeting in Washington at the War Trade Board Section of the State Department, of consumers, particularly those in the shirt trade. Although the press announced this to be an open meeting, admission was granted only to a selected few. The *Oil, Paint and Drug Reporter* of October 20, 1919, page 25, evidently referring to this meeting, said:

“‘But, more than that, they protested that recent activities in Washington in regard to the dyestuff industry, had become involved in a most mysterious maze. Stories became rife that when consumers sought to lay the facts of their needs before government officials, they had been met by representatives of American manufacturers and, after being entertained, sent on their way without having accomplished what they came for, and carrying away with them little reminders to “patronize home industries.”

“In the same issue it is also said, at page 27:

“‘Some of the consumers say that when they came here or sought to get the facts about their needs before government officials, they were taken in charge practically by representatives of one of the big dye manufacturers, entertained at luncheon and otherwise, and conducted on a tour of inspection through the company’s plant near here, being urged to patronize home industries.’

“One of the chief hosts of this tour was none other than the

member of the Dye Advisory Committee to whom reference has already been made.

"Promise was made to the consumers at this meeting that action would be taken within forty-eight hours to furnish them with six months supply of vat dyes of German origin, and which the American manufacturers admitted they could not furnish. The consumers heard nothing further until the appearance of a circular letter dated October 1, 1919, over the signature of the Bureau of Imports. Following this letter a telegram purporting to have been sent by the War Trade Board in October was received by consumers. This telegram announced that the Textile Alliance, Inc., had been designated as sole official agency to administer the provisions of the plan referred to in the letter of October 1. Following this telegram, another circular letter dated October 10, 1919, was sent out by the Bureau of Imports of the War Trade Board, giving further detail in regard to the agency of the Textile Alliance, Inc.

"There was much confusion caused by the telegram and subsequent letter issued over the name of the War Trade Board Section, making this announcement. Neither made it clear that the Textile Alliance was to procure only those dyes under the control of the Reparation Commission. In response to many inquiries, it was stated by the War Trade Board Section of the State Department that consumers need not take advantage of the agency of the Textile Alliance (which was to operate at cost and which would procure the dyes at peace-time prices considerably lower than the market prices), but that the consumer could procure his allotted supply directly from the foreign manufacturers through whatever channels the consumer cared to use. Acting in accordance with these announcements, a large number of licenses for the importation of German dyes directly from the manufacturers were issued by the War Trade Board Section of the State Department to importers upon the written request of consumers duly endorsed upon their allocation certificates.

"Because the War Trade Board Section had no definite information as to the amount of dyes that could be obtained through the Reparation Commission, nor the prices which would be charged, Dr. Herty was sent abroad in October as a representative of the State Department upon a limited mission, to make inquiries and to complete arrangements between the Textile Alliance and the Reparation Commission. Upon his arrival he found that the Reparation Commission could supply but thirty per cent of the six months' allotment which the War Trade Board Section on August 27, 1919, had promised the consumers in this country. He then found that the remaining seventy per cent

could be obtained directly from the manufacturers, although at the present market price, and it is said that an offer was made to him by a representative of the dye manufacturers to furnish him such amount. The State Department has stated that the Textile Alliance has been authorized to accept this offer, and it is also reported that Dr. HUerty obtained a personal option. Information has been received, however, that no option was obtained for Indanthrene dyes. How the offer came to be made in the first instance is not clear. It has been reported that Dr. Herty, in his official capacity, sought this offer and obtained it upon a representation that the President of the United States desired it.

"If these negotiations are consummated and the Textile Alliance becomes the sole official agency for securing both the dyes controlled by the Reparation Commission and the dyes purchased directly from the manufacturer, the Alliance will then be in a position with which no individual private concern can compete. The current market price of dyes is approximately seven times the price quoted by the Reparation Commission and, therefore, the Alliance by averaging the two prices will be able to supply the consumer with dyes at a price considerably lower than that which the private concern, purchasing its dyes directly from the manufacturer, could do. Apparently the manufacturers of dyes do not oppose this, although at the same time they vehemently express fear that the Germans, if given the opportunity, will cut prices below cost, to undersell the American dye. Evidently such practice is objectionable to them only if it works against the monopoly.

"The result of this, of course, would compel consumers to effect their importations exclusively through the designated official agency. The designation of such official agency is a form of paternalism most objectionable and unnecessary, and would partake of the nature of an exclusive monopoly, and such exclusive monopoly is repugnant in that it would be a discrimination against American citizens who were engaged in the business of importing. Such action is directly contrary to the expressed policy of the State Department, as stated in a letter sent in November last to the Hon. Stephen G. Porter, from the office of the Foreign Trade Advisor of the Department of State, over the signature of Van S. Merele-Smith, and also in a letter reported to have been written by Secretary of State Lansing to the Hon. M. J. Sinnott. Furthermore, it works actual injustice to those importing concerns who have been granted import licenses, and who have taken steps to procure from the manufacturers in Germany the amount of dyes covered by such licenses. They have established large credits

abroad and have incurred other heavy expenses. Upon the granting of the import licenses by the War Trade Board Section of the State Department, and upon assurance from the authorities that the dyes licensed could be procured from any source other than through the Reparation Commission, and feeling confident that the situation as explained by the department would not be further changed or complicated by additional rulings, but rather that aid would be given by the government to expedite shipments, the importer procured the necessary export licenses from the proper authorities abroad. Of course such export licenses would not have been issued by the United States. When it became known that the Alliance would be able to furnish a full six months' supply at the reduced price, importers holding licenses surrendered them to their customers in order that the customer might take advantage of the lower price by purchasing through the Alliance. The importers were influenced in this action by a rumor current among consumers that the Textile Alliance would undertake to procure for any consumer all of his allotment of dyes or none at all; in other words that the Textile Alliance would preclude any importer from obtaining any portion of the dyes from the Reparation Commission unless the consumer would empower the Textile Alliance, by an assignment of his license to it, to procure his full allotment.

"Although it may be true that the Alliance offered to furnish the importing concerns with the amount of dyes for which they held licenses, such offer is not of much worth to the importer. In fact no business could afford to accept an offer of that sort. The Alliance would sell to the consumer and to the importer at the same price, and therefore the importer would have to sell to his customer at a price higher than that quoted by the Alliance. The importer would become a mere conduit and serve no useful purpose whatsoever. It therefore appears that although upon the face of it an equal opportunity is given to everybody, the importer as well as the consumer, the practical effect of the Textile Alliance becoming the sole official agency for the purpose of procuring the entire six months' allotment of dyes is to deprive an importing concern of its business by destroying its usefulness. The functions performed by the importer are too well known to need explanation. Their usefulness to the consumer is conceded. There can be no wish anywhere to drive importers out of business. There must be some special reason for attempting to do so in this instance and the circumstances indicate all too clearly that this reason is the desire on the part of some of the American manufacturers to create and maintain a monopoly of the entire dye industry. Although the Alliance has promised to do whatever it

undertakes at cost, it has given no definite agreement of just what it will do. Because of the fact that it now holds nearly all the import licenses that have been issued, it will have complete control of the situation, if it is now permitted to import dyes from private sources in addition to those under the control of the Reparation Commission. It will be in a position to discriminate between the consumer or his agent, the actual consignees appearing on each license, to the extent of the kind of dye it will allot to each licensee. In other words, it will be in a position to give one consumer or group of consumers who show friendly feeling, the dye which such consumer seeks; whereas on the other hand it could force an unfriendly consumer to take a substitute which may or may not be just as good.

"There is no reason for this unusual procedure. The war is at an end, actually if not technically. War-time emergency measures are no longer justified. So far is it from any prospect of Germany flooding the American market, that it is doubtful if the immediate needs of the American consumer can be met. This is becoming generally admitted, and definite information is from time to time disclosed. England, France, Belgium and Italy have been procuring German dyes for some time, and have no doubt by this time taken most of the kind needed here. There appears to be no detailed information on these points, but when the full facts are known, it may very well be that the United States will be bending all efforts to secure all German dyes available.

"Consumers have stated that they prefer to secure their supply through pre-war channels, using the agencies with which they are accustomed, and upon which they have relied in the past, and from which they have procured goods of known quality. They have expressed their wish that they do not desire to procure these dyes through any government agency, for although it may be reasonably guaranteed that the dyes will be as represented, they will not be certain of their quality; they will not know that all the dyes of the same sort will re-act in the same way when used by them. As a matter of course, consumers prefer to deal with those with whom contract relations may be made definite and certain, and to whom they can look for prompt adjustment.

"Not only is the consumer deprived of the free choice of obtaining the dyes from what sources he chooses and in the manner he chooses, but he is forced to accept dyes of different manufacture, and which may in the process to which he may put them work out, if not unsatisfactorily, at least in a way other than anticipated. Furthermore, some of the dyes from one manufacturer may re-act differently on different goods than dyes of

another manufacturer. In any event they may be compelled to use dyes with which they may not be familiar.

"Some importers who had received large numbers of applications had been advised by their correspondents in Germany of the quantity and the price at which the dyes could be obtainable. This disposes of any argument to the effect that this scheme was adopted in order to facilitate and expedite the importation of the admittedly much-needed dyes. Had this scheme not been formed the importer would have been left free not only according to the regulations, but free in fact and free from any force of circumstances. Many shipments of dyes would now be on the water, and the delay in receiving dyes, already more than three months since prompt action was promised, would not be longer protracted. There is general feeling of dissatisfaction among the consumers, which is due in no small measure to the impression created by a chain of circumstances that the so-called dye advisory committee in conjunction with Dr. Herty have not acted openly and frankly toward the public, and that the official authority and power given them has been availed of to benefit private interest. It is thought that the situation has not been fully disclosed even to the members of the Senate Finance Committee. It is thought possible that the Textile Alliance has been misled into action in the interest of the American dye manufacturers without full consideration of the plight of the consumers. It is submitted that interests of consumers, upon whom are dependent about 2,000,000 laborers in the various allied industries, and who have invested capital of over \$3,500,000,000, should be considered to the extent at least of securing as speedily as possible those dyes which are not yet manufactured in this country. To this there can be no just or sound objection.

"It is, therefore, urged that the expressed policy of the State Department should be adhered to; that the Government should not embark upon the business of procuring, importing and distributing the dyes, nor should it act in the capacity of agent in any respect. American business should not be forced to stop by indirection. Freedom of action, while within legal bounds, must be maintained. Production must be encouraged, not hampered. Labor must be given full opportunity to earn; capital must not lie idle. Delay is fatal to the stabilizing of American business conditions.

"The State Department, therefore, should evolve a plan to limit the agency of the Textile Alliance to secure only those German dyes which are controlled by the Reparation Commission, and to enable a consumer to procure his allotment in such manner as he

may deem best—partly through the Alliance, and partly or entirely directly from the foreign manufacturer.

“December 1, 1919.

“Respectfully submitted,

“PEQUEA MILLS CO.,

“P. W. Andrews, Treasurer,
“Philadelphia, Pa.

“KENT MFG. CO.,

“Everett L. Kent, President,
“Clifton Heights, Pa.

“GLOBE DYE WORKS,

“D. R. Greenwood,
“Philadelphia, Pa.

“BREHM & STEHLE,

“Wm. H. Brehm,
“Philadelphia, Pa.

“E. L. MAUPAI,

“F. P. Maupai Dyeing Co.,
“West New York, N. J.

“SUNBURY CONVERTING WORKS,

“John J. Steller, Supt.,
“Sunbury, Pa.

“J. H. & C. K. EAGLE, INC.,

“C. F. Brahler, Supt. Dye Works,
“Shamokin, Pa.

“ABERFOYLE MFG. CO.,

“W. J. Gale, Jr., Secretary,
“Chester, Pa.

“G. J. LITTLEWOOD & SONS,

“Philadelphia, Pa.

“WEISS, WILLHEIM & CO.,

“By William Willheim,
“New York City.

“EDWARD MOIR, *President*,

“Brown Mills,
“Auburn, N. Y.”

The first signature, Pequea Mills Co., is Colonel Wood's Company. And is signed by ten other manufacturers.

I would like to file with it a letter from the owners of the Sunbury Converting Works, asking that they be allowed to withdraw their name, as, they say, their signature was obtained by an

agent of the Pequea Mills Company under a mis-statement of facts:

“SUNBURY CONVERTING WORKS,

“Sunbury, Pa., December 4, 1919.

“S. S. M. NEW YORK:

“Attention of Mr. Hurd.

“Referring to the petition which the writer signed in regard to the importation of dyestuffs, I wish to state that I signed this article on Monday, December 1. Within my recollection, this was a petition that asked for the importation of dyestuffs through the former agencies, and it would have no interference whatsoever with any orders which we recently placed with the ‘Textile Alliance.’ In other words, it has nothing to do with the orders that we have placed through the ‘Textile Alliance,’ either for vat or any other colors.

“I told the man who represents the Kuttroff, Pickhardt Company that we had placed our orders with the ‘Textile Alliance,’ and he said ‘that part of it was all right,’ and he asked whether we would in future be in favor of getting the colors again through their agencies, the same as we did before the war; he stated that they would keep the colors in stock for us and we could draw on these colors the same as we did heretofore.

“As far as the writer recalls, this is not being done with the intention of interfering with any efforts of the ‘Textile Alliance’ on those orders which we have placed with them, but that it is only for future orders which we might need in these respective colors.

“If this in any way interferes with any arrangements that you have made, I am very sorry that I did it, but I signed this petition with good intentions and for the above stated reasons. In the future, should any such matters come up before me, I shall call you on the ‘phone and consult with you before signing any such petitions.

“SUNBURY CONVERTING WORKS.”

Senator Watson. How does that throw any light on the question of the manufacture of dyes in this country or the necessity for a tariff or a license system?

Mr. Thompson. It is simply this: If you will read this statement which we have prepared and which I will not take up your time to read, you will find that argument is attempted all through the testimony to prove inefficiency on the part of our committee, and that that should be used against any permanent licensing plan. Of course it is a matter of opinion, and I will not burden you, as the time is short with reading this statement, but I think we can prove very conclusively by absolute facts and records on file at

the State Department, that the statements in that paper sent out by Colonel Wood are false, and we so state in this statement. The inference is, as I read it, that the inefficiency of our committee must be a guide for you gentlemen to decide upon the policy of a licensing committee for the future. In the testimony here, as I have listened to it this afternoon, I have heard a good deal that surprises me, as it is absolutely contrary to my own personal experience. We are large users of dyestuffs and are naturally interested in the matter, in fact, we have to get dyestuffs in order to keep our mills running.

Senator Curtis. You may go on with your statement, Mr. Thompson.

Mr. Thompson. The attention of the Advisory Committee on dyes of the War Trade Board Section of the Department of State has been directed to a statement dated December 1, 1919, signed by some eleven consumers of dyestuffs in the United States, and entitled: "Memorandum in Opposition to the Purchase by the Government, through the Textile Alliance, or other Official Agency, of Dyes Directly From the Foreign Manufacturer." The Advisory Committee is informed that this memorandum has been circulated in pamphlet form among users of dyes in this country.

The memorandum contains so many misleading, untrue and malicious statements that the Advisory Committee feels constrained to express its comments thereon in order to dispel the false impression it may have created.

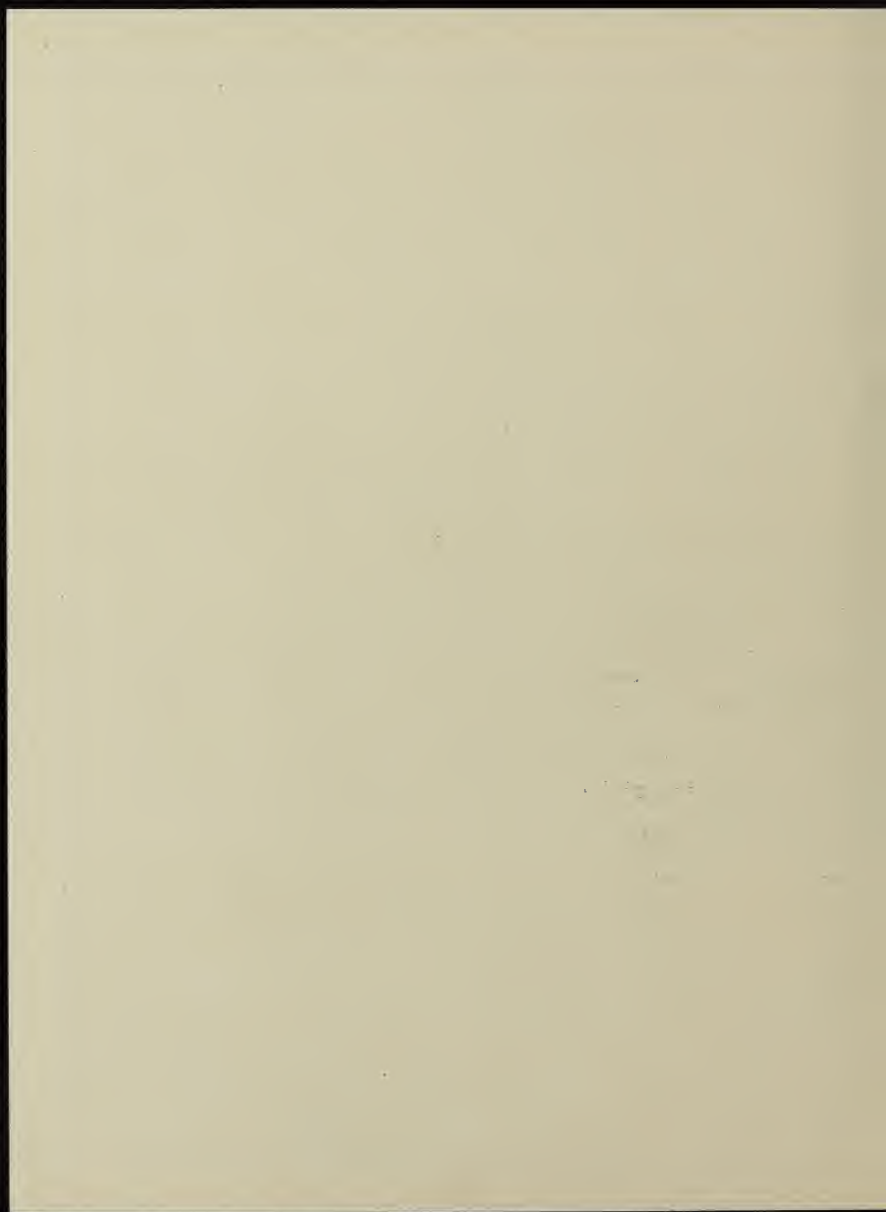
On page 2, in paragraph 2, of the memorandum, the following statement appears: "An Advisory Committee on dyes, on which consumers and manufacturers were intended to have equal expert representation, have been appointed by the War Trade Board." The obvious purpose of this statement is to create the impression that consumers and manufacturers did not have equal representation on the committee. The personnel of the committee consists of three consumers, three manufacturers and one representative of the American Chemical Society, who is neither a consumer nor a manufacturer.

Paragraph 2, page 2, contains the following additional statement: "Of the committee membership of seven, at least two were officers of the largest and most powerful dye manufacturing companies whose interest it is to stamp out competition in the dye industry and to create a monopoly under its own control which would be nothing short of unlawful restraint of trade." The functions of the committee were such as to require the representation and expression of the viewpoint of manufacturers for the purpose, not only of making recommendations concerning the extent to which the needs of consumers might be satisfied from

CORRECTION

On pages 94 and 95 of the pamphlet containing statements of Mr. Thompson, Mr. Patterson and Mr. Garvan the statement is made in Mr. Thompson's testimony that the signature of the Sunbury Mills to the "Memorandum in Opposition to the Purchase by the Government Through The Textile Alliance, or Other Official Agency, of Dyes Directly from Foreign Manufacturers" was obtained "by an agent of the Pequea Mills Company under a misstatement of facts."

This is untrue. It should read that the statement referred to was obtained by an agent of the Kuttroff-Pickardt Company.



domestic sources, but also for the purpose of making recommendations in relation to the protection of the industry. The committee denies that any one of its members was ever influenced or swayed in his official functions by any consideration of individual private interest. The statement hereinabove last quoted fails also to take into account the fact that, even if any member of the committee had attempted to function for its own particular private interests and not for the benefit of the industry and of the consumers as a whole—which is emphatically denied—the decisions of the committee in every case were unanimous. In addition, such decisions were never final and were never intended to be final. The committee has always functioned, and now functions, solely in an advisory capacity to the War Trade Board and to the War Trade Board Section of the Department of State, with whom the ultimate decision has rested, and now rests, in every case. In this particular, the committee takes occasion to state that several of its unanimous recommendations, which were agreed upon in the belief that they would benefit manufacturers and consumers as a whole, were not accepted by the War Trade Board Section of the Department of State because they might tend to operate to the prejudice of importers.

The committee challenges those whose names are signed to the memorandum to point out a single case in which the committee has sought to further individual private interests. The committee has sought to protect the industry as a whole, with due regard to the rights and interests of consumers. This policy did not originate with the committee, but had been definitely decided upon by the War Trade Board long before the committee was appointed.

Paragraph 2, page 2, also contains the following statement: "One of those two men assumed to act as the official representative of the government, assumed to dictate the policies to be followed, and assumed to limit the attendance at various hearings that were held to those only whose interests were friendly to the dye manufacturer." These statements are absolutely untrue. No member of the committee, except Dr. Herty, who is neither manufacturer nor consumer, "assumed to act as the official representative of the government," and any such attempt would have failed for lack of authority. The statement that one of the members of the committee "assumed to dictate the policies to be followed" is untrue. The policies were invariably formulated by the War Trade Board Section upon the unanimous recommendation of the committee and a representative of the War Trade Board Section attended personally all the meetings of the Advisory Committee. Nor did any member of the committee

ever "assume to limit the attendance at the various hearings that were held to those only whose interests were friendly to the dye manufacturer." Only one hearing was ever arranged for. On August 26 the shirt manufacturers appeared before the representatives of the War Trade Board in its building in Washington, which meeting was attended by the committee. No shirt manufacturer nor other individual who had any real interest in the matters which were to be discussed at that meeting was denied admission. The only persons to whom admission was denied were importers or representatives of importers, whose presence was unnecessary either for their own interests or for that of the shirt manufacturers, and they were excluded, not by any member of the committee, but by a representative of the War Trade Board.

On page 2, paragraph 2, of the memorandum, the following statement appears: "This same committee, which was intended to have fair representation from consumer as well as manufacturer, in the early summer of 1919, submitted a report to the War Trade Board Section, upon which the latter, on July 26, 1919, made an announcement in which it was said:

"As the result of a careful survey of the present situation in the dye-consuming industries and the unanimous opinion of the Advisory Committee on Dyes, and having due regard to all existing conditions, there appears to be no such need for German dye-stuffs in the United States as to warrant the issuance of licenses for the importation of any of these articles."

"This brought forth violent protests from consumers, and they made it clear to the War Trade Board Section that unless they could receive a quantity of German dyes to meet their requirements they would be put to unnecessary hardships, trouble and expense, and would be at a disadvantage with foreign textiles."

In view of the statement in the memorandum to the effect that the announcement "brought forth violent protests from consumers," the statements in relation to War Trade Board Ruling 819 are evidently intended to imply either that in the opinion of the committee there was no need in this country for German dyes or that, realizing the need, the committee refused to admit it, and had gone on record for saying that there was no such need. On June 26 five important shirt manufacturers directed a letter to the War Trade Board recommending the importation of certain quantities of vat colors to satisfy the requirements of consumers. On June 16, prior to the receipt of the letter, the War Trade Board, on the recommendation of its committee, had caused a questionnaire to be directed to consumers requesting

them to advise of the extent to which they were unable to obtain dyes from United States sources. After receipt of the letter from the shirt manufacturers, an additional questionnaire was directed to consumers on June 30. Replies to these questionnaires would reflect the general opinion of the great majority of consumers with relation to the need for German dyes. Of the four thousand consumers to whom the questionnaires were sent, only four per cent reported that they were in need of German dyes. Accordingly, W. T. B. R. 819 was issued July 26, 1919. The policy announced therein was, therefore, advocated and approved by the representatives of a very large majority of the dye-using industries. Besides, the ruling does not state that there was no need whatsoever for German dyes, but that "there was no such need . . . as to warrant the issuance of licenses for the importation" thereof. The purpose of the statement was that, even though admittedly German dyestuffs could well be used in our domestic industries, those German dyestuffs would, under the conditions which then prevailed, if obtainable at all, necessarily be imported through the old German Agencies, who were using every effort to regain Germany's monopolistic hold on the dyestuff industries of this country. Such efforts on the part of an enemy industry could not be tolerated. It was, therefore, felt that the disadvantages of importing through those undesirable agencies outweighed any needs of American consumers, as manifested at that time, and, therefore, it was believed best to await the opportunity afforded by the reparation clauses of the Treaty of Peace and thus withhold any opportunity for the old German importing agencies to reassert destructive domination by enemy interests over the American dyestuff industries. Besides, licenses were being issued freely at that time, as they are being issued now, for the importation of dyes from Switzerland, Great Britain and other sources. Accordingly, it was felt that the needs of consumers, which at that time had not been strongly manifested, could be relieved, in substantial measure, by importations of dyes of non-enemy origin.

On August 26 the shirt manufacturers emphasized to the committee and to the War Trade Board Section the need for the immediate importation of vat dyes of German origin. The committee having also conducted further investigations of its own and having discovered that importations of dyes of non-enemy origin would not be sufficient to satisfy the requirements of consumers of dyes, and having reached the conclusion that dyes under the reparation clauses of the treaty would not be made available except after considerable delay, recommended to the War Trade

Board Section the issuance of licenses authorizing the importation of an amount of vat dyes of German origin sufficient to satisfy the requirements of consumers for a six months' period. On October 1, or in less than five weeks thereafter, the allocation was made.

On page 4 of the memorandum a transcription appears of a statement alleged to have been made in the *Oil, Paint and Drug Reporter* of November 20, 1919 (page 27), as follows: "Some of the consumers say that when they came here or sought to get the facts about their needs before the government officials, they were taken in charge practically by representatives of one of the big dye manufacturers, entertained at luncheon and otherwise, and conducted on a tour of inspection through the company's plant near here, being urged to patronize home industries." The committee cannot hold itself responsible for announcements of the press. Insofar as the above-quoted press statement relates to the entertainment which was alleged to have been accorded by members of the committee to consumers, it is scurrilous and will be accorded no further consideration. Insofar as it relates to the fact that consumers "were taken in charge practically by representatives of one of the big dye manufacturers and conducted on a tour of inspection through the company's plant near here, being urged to patronize home industries," it is a slanderous distortion of the correct inference which should be derived from the facts. At the hearing which was accorded to the shirt manufacturers on August 26, one or more of the consumers manifested considerable interest in the progress of the domestic industry and requested to be advised of the extent thereof; whereupon the member of the committee to whom reference is made in the reprint from the *Oil, Paint and Drug Reporter* undertook to explain the progress, and at the end of his remarks invited any of the consumers who were present to visit the plant he represented, which was conveniently situated, in order that the consumer might have an opportunity to judge for themselves of the progress of the industry. The fact that consumers who may have visited the plant in question (and who, by the way, were not accompanied on their "tour of inspection" by any member of the committee) may have been urged "to patronize home industries," far from being reprehensible, was praiseworthy, as was admitted by the National Association of Shirt Manufacturers in the following letter, which was directed by them to the War Trade Board Section on August 27, the day after the Washington meeting:

"THE NATIONAL ASSOCIATION
"OF
"SHIRT MANUFACTURERS
"320 Broadway, New York, N. Y.

"August 27, 1919.

"MR. LAWRENCE BENNETT,
"War Trade Board Section,
"Department of State,
"Washington, D. C.

"DEAR SIR:

"In behalf of the National Association of Shirt Manufacturers, I beg to thank the members of the War Trade Board Advisory Committee and Mr. Garvan as well as yourself, for the cooperation given us yesterday and the courtesies extended to us.

"We feel that the solution of the difficulties arrived at by your Board will not only be of most valuable assistance to the shirt industry at this critical time, but also to the entire textile industry and the consuming public.

"Our members in attendance yesterday surely are enthused over the progress made by the American dye manufacturers, and take this opportunity of saying that we shall support them to the limit and will give all the publicity that we can offer to the consuming public when their vat colors are available.

"Yours very truly,

"RALPH HUNTER,
"Chairman Dyes Committee."

Admittedly, not only the committee itself, but the War Trade Board Section of the Department of State, to whom the committee is responsible, agreed that the protection of the industry, because of its relation to the important problem of national defense, was desirable and expedient.

The implication contained in the statement that consumers were prevented from presenting their facts to government officials is vicious falsification. The meeting of shirt manufacturers of August 26 was presided over by the Chief of the War Trade Board Section of the Department of State.

The following statement appears on page 4 of the memorandum: "Promise was made to the consumers at this meeting (of shirt manufacturers on August 26), that action would be taken within forty-eight hours to furnish them with six months' supply of vat dyes of German origin, and which the American manufacturers admitted they could not furnish. The consumers heard nothing further until the appearance of a circular letter dated October 1, 1919, over the signature of the Bureau of Imports." The committee denies that it undertook at that meeting to furnish

consumers with dyes. The committee promised the consumers that they would recommend the removal of obstacles to the importation of vat dyes for the six months' period by recommending the issuance of the necessary import licenses. This recommendation was actually made by the committee to the War Trade Board Section immediately after the meeting of August 26, and on August 30 the War Trade Board Section of the Department of State, having accepted the recommendation of the committee circulated a questionnaire among consumers of vat dyes requesting to be advised of the respective requirements of consumers for a six months' period. In the comparatively short period of approximately thirty days, and notwithstanding the administrative and technical difficulties involved in assembling the necessary information, the allocation was made by the War Trade Board Section on October the first.

The President of the Chemical Foundation, who attended the meeting, may have promised the consumers to undertake to secure on behalf of consumers the dyes for the importation of which licenses would be issued by the War Trade Board Section, but neither the Advisory Committee nor the War Trade Board Section undertook to obtain the dyes themselves. The War Trade Board Section stated that it would make every effort to make available to consumers a portion of the dyes impounded by the Allies and Associated Governments under the Treaty of Peace with Germany, and this promise on the part of the War Trade Board Section was subsequently discharged to the fullest extent.

When Dr. Herty sailed for Paris on September 3, 1919, he did so, not as the representative of the War Trade Board Section of the Department of State, nor of its Advisory Committee, but as the representative of the President of the Chemical Foundation. The committee is informed that the President of the Chemical Foundation contemplated organizing the consumers before Dr. Herty reached Paris in order that consumers might be in a position to purchase immediately such dyes as Dr. Herty would be able to secure from the German manufacturers and to the extent to which the same might be licensed by the War Trade Board Section of the Department of State. Before Dr. Herty reached Paris the Chemical Foundation advised the War Trade Board Section of the Department of State and its Advisory Committee that an organization of consumers was impossible. It was then that Dr. Herty was appointed as a representative of the War Trade Board Section. The War Trade Board Section of the Department of State advised its committee that the attempt of the Chemical Foundation to organize the consumers having failed and Dr. Herty's status having been changed from that of

representative of the Chemical Foundation to that of a representative of the War Trade Board Section, there was no way in which, under its powers and consistently with its policies, the dyes negotiated for by Dr. Herty could be restricted to one channel of importation. The War Trade Board Section has authorized the committee to state that the procedure which has been established for the importation of reparation dyes and dyes from the German Cartel was decided upon by the War Trade Board Section, and that the recommendations of its committee in that connection, although given consideration, were not in every instance accepted. In this connection, the committee points out that Dr. Herty having sailed for Paris on September 3, arrived in Paris on September 14, and that the negotiations with the German government for reparation dyes and Cartel dyes were concluded on October 4.

On page 11 of the memorandum, the following statement appears: "There is a general feeling of dissatisfaction among consumers, which is due in no small measure to the impression created by a chain of circumstances, that the so-called Dye Advisory Committee, in conjunction with Dr. Herty, have not acted openly and frankly toward the public, and that the official authority and power given them has been availed of to benefit private interests." The committee denies that it has not acted openly and frankly toward the public to the fullest extent to which its oath of office authorized it to reveal to the public the information in its possession. The reiterated statement that the authority and power given to the committee has been availed of to benefit individual private interests, as contradistinguished from the interests of the industry and of consumers as a whole, is a lie, as is evidenced by the fact that any such attempt, the existence of which is denied, would have been promptly frustrated and penalized by the War Trade Board Section, with whom the ultima to decision has rested in every case.

If the statement that a "general feeling of dissatisfaction (exists) among the consumers" is true, why is it that the memorandum has been signed by only eleven consumers? The reason is obvious. The Advisory Committee on Dyes of the War Trade Board Section of the Department of State has good reason to believe that the memorandum of December 1, was circulated, if not prepared, by one of the most important of the agencies of the German dye manufacturers. The committee knows definitely that at least one of the signatures inscribed on it was obtained by misrepresentation on the part of the agency referred to, and the proof of the latter statement will be found in the reply of the

Textile Alliance to the memorandum of December 1, which reply is attached hereto.

I would like to say that I have here this statement in writing, to which is appended: "The War Trade Board Section of the Department of State has read this communication, which it approves:

HENRY B. THOMPSON,
FRANKLIN W. HOBBS,
FRANK D. CHENEY,
AUGUST METZ,
CHAS. H. HERTY.

Senator Watson. What are your mills?

Mr. Thompson. The United States Finishing Company. It is a Connecticut Corporation. We have one print work at Norwich, another at Sterling, and one at Longville, Rhode Island, and another at Pawtucket, and another at Providence. We have an output of about 300,000,000 yards of cotton goods a year. While we have suffered inconvenience we have never met the peculiar conditions I have heard stated by some of the witnesses here this afternoon. For instance, I heard one gentleman express inability to get phosphine, and that has injured his work, and that he could only get it at six dollars a pound. On the other hand, we have been purchasing it for a dollar and forty cents a pound.

Senator Nugent. Manufactured in this country?

Mr. Thompson. Yes, sir.

In the same way it was a surprise to hear another man say he could not get methlene blue and malachite green. They have been manufactured in large quantities by half a dozen manufacturers in this country. The objection of many of these manufacturers is that this will gradually reduce prices on these dye-stuffs; but the argument that business will be injured by their inability to get certain dyestuffs that are not manufactured seems to me untenable, for under the wording of the Act, action on that matter seems to be automatic in such cases because it says the commission shall issue a license to the applicant if he cannot secure that article in this country; it is obligatory. So he can get it, as a matter of fact.

Senator Curtis. Anything else you wish to say?

Mr. Thompson. I believe not.

Senator Watson. Suppose he were to say it was an inferior article, cosine, for instance. Suppose a man were to say: "I can get it, but it is not of good quality. I have tested it and it will not work." How about a case of that kind?

Mr. Thompson. That is a question of fact.

Senator Watson. Of course it is.

Mr. Thompson. Which would be determined by experts in the department.

Senator Watson. But, after all, the power would rest with the board to either grant or not grant a license?

Mr. Thompson. Yes; it would. But of course I want to say that as far as our board goes, and I would like to state this very emphatically, that I saw no attempt on the part of the members of that board, who are producers and manufacturers of dyestuffs, to play dog in the manger. In every instance they have said to us, if we cannot make this stuff, issue the license. They have shown a good spirit. I think they all realize that we have got to foster the American trade, and their own customers have got to be kept in business, so that it would be foolish to exclude dyestuffs not manufactured in this country. I see no attempt on the part of manufacturers of dyestuffs to pursue any such course.

Senator Curtis. Is that all?

Mr. Thompson. I believe that is all.

Mr. Demming. Colonel Wood has left the city. I would like to ask the privilege for Colonel Wood to reply to Mr. Thompson's statement.

Senator Curtis. He may reply in writing. The committee will not have an opportunity to wait for him to appear in person.

Mr. Choate. Mr. Chairman, the president of the Textile Alliance informs me he would like to put in a statement.

STATEMENT OF THE TEXTILE ALLIANCE

Mr. Price. My name is B. R. Price, secretary of the Textile Alliance. I most respectfully desire to file a written brief in connection with this hearing. This has been necessary as a result of some of the changes made in the program of the hearing.

TEXTILE ALLIANCE, INC.

45 East 17th Street

New York City

Washington, D. C., December 13th, 1919.

FINANCE COMMITTEE OF THE SENATE,

Washington, D. C.

GENTLEMEN :

Eleven manufacturers have circulated a "Memorandum in Opposition to the Purchase by the Government Through the Textile Alliance or other Official Agency, of Dyes Directly from the Foreign Manufacturers," dated December 1, 1919.

In this memorandum certain statements are made with reference to the Textile Alliance, Inc., to which the Textile Alliance, Inc., feels it necessary to reply, as they are almost, without exception, false and the entire tendency of the reference to the Alliance is misleading. In addition to the above, several remarks appear in the record of the hearings before the Finance Committee of the Senate in relation to the Longworth bill, 8078, which betray a misunderstanding on the part of Colonel John P. Wood, the Honorable Herman A. Metz, Mr. T. A. Harris, and others, in relation to the function and past actions of the Alliance. With all possible respect for these gentlemen and entire confidence in their good faith, we beg leave to correct the record.

Before doing so, we wish to make known to the committee that the Textile Alliance in its relations with the War Trade Board, is acting as a purely administrative agency and that it takes no part in the discussion before the board as to the merits or demerits of a licensing system for dyes or any other commodity. It is practically a purchasing, shipping, collecting and distributing agency for the War Trade Board Section of the State Department, thus performing functions which a Government department is unable to do for itself and which the Textile Alliance already, during the war, undertook and carried out on behalf of the War Trade Board and Quartermaster-General in relation to such necessary commodities as Russian flax and Iceland wool and skins. These

transactions amounted to (we are unable to refer at Washington to the exact figure) about five million dollars, and it was, therefore, natural that in relation to dyes the War Trade Board should again turn to the Textile Alliance.

On September 9, 1919, Mr. Henry B. Thompson, a large manufacturer of cotton goods, chairman of the advisory committee on dyes to the War Trade Board, addressed to the Textile Alliance, Inc., a letter in part as follows:

"The functions of the War Trade Board Section will, of course, continue only until the ratification of the peace treaty, but the intention is to bring about immediate importation of a few months' supply of dyestuffs which are particularly needed, and which are not now obtainable from domestic sources. The committee's view is that your organization is quite the most suitable for the purpose of bringing those dyestuffs into the United States, and appropriately distributing them to bona fide American consumers, upon the order of such consumer; that both the importation and distribution can be handled much as your organization handled imports during the war.

"With that end in view, the subject, of course, to the approval of the War Trade Board Section of the State Department, this letter is written on behalf of the committee to ask whether or not it is feasible for you to undertake the entire control and disposition of such importation, as you did the various articles which were brought in by you during the war."

Following this letter, on September 29, October 10, and November 17, the Textile Alliance, Inc., entered into a formal arrangement with and at the request of the State Department, "To permit the importation (from official sources, Textile Alliance, Inc.), of vat dyes from Germany in quantities sufficient to supply the requirements of the consumers in the United States for the six months' period, October 1, 1919, to April 1, 1920," which subsequently was extended to include non-vat dyes of German origin in the same manner, the function of the Textile Alliance, Inc., being to "act as an intermediary between the consumers of dyes in the United States and the allied authorities from or through whom the dyes are to be secured." It was required that the Alliance should charge a commission sufficient to defray all expenses incurred and that the overplus remaining after payment of all expenses should be distributed pro rata among those by whom such commissions should be paid.

It may here be stated that prior to the commencement of its operations, the Textile Alliance sought the opinion of its counsel as to whether the proposed arrangement involved any restraint of trade as to which the Textile Alliance might be

criticized or injured. Having before him the instruction to the department given prior to the charge raised in the hearings before the Finance Committee, that the purpose of the advisory committee and of the War Trade Board was to drive out of business importers of dyes, American citizens, the Textile Alliance was informed that it was entirely proper for the Alliance to proceed. Referring back to correspondence of this date, we find the following in letters from the War Trade Board to the State Department:

October 13. "Unless the Grasselli Chemical Company and the Chemical Foundation, Inc., will give to the Department of State assurances that the Textile Alliance, Inc., will receive at their hands as patent owners no greater privileges than will be accorded by them to any other American importer, I feel we will have to abandon the plan to which you have been kind enough to lend your support."

On October 25, the department advised the Alliance that the assurances had been given and in the same letter proceeded at length to instruct the Alliance that

"The department will interpose no objection to such importation by the importers (the reference was to reparation dyes) provided that the importation is effected through the Alliance * * * for the ultimate benefit of the consumers, the right to be reserved to the importers to sell their dyes * * * to their customers at any price."

In this single instance it was provided, on account of the small quantity, consumers importing directly should receive a preference over importers, but in relation to the larger quantity covered by the Cartel offer, the department's instructions in the same letter were "in filling orders from that source the Textile Alliance will treat all consumers alike." Again, in the same letter, "the opportunity for discrimination has been eradicated, dyes will be immediately available for consumers, and the rights of private importers have been reserved."

There are two sources of supply from which dyes are obtainable by consumers through the Textile Alliance, Inc. The first source is that arranged for with the German delegation at Versailles on October 4. These dyes were referred to as the "reparation dyes." A statement follows of the quantities available now and in the future:

REPARATION DYES

(a) Where reference is made in these notes to reparation dyes, it is understood to mean those dyes that are available to the United States from reparation stocks as per inventories of

August 15, 1919, rendered by the Germans and certified by them to be complete and correct.

(b) These dyes have, thus far, been only partially apportioned between the countries entitled to receive them. Of this partial apportionment the United States' share is 1,500 tons, all or any part of which the United States is free to accept at any time without being committed in any way to take any portion not wanted.

NOTE 1. The total stocks of dyes in German factories on August 15, 1919, is roughly estimated at 40,000 tons, of which one-half, say 20,000 tons, will be available to the allied and associated powers. Of these 20,000 tons, only 5,200 tons have thus far been apportioned as follows:

United States.....	1,500 tons
Great Britain.....	1,500 tons
France	}..... 2,200 tons
Italy	
Belgium	
Total	5,200 tons

The above apportionment merely indicates aggregate metric tons and does not represent the proportion of each individual dye that each country is to receive. The proportion of each dye that each country is to receive out of the quantity available to the allied and associated powers has thus far been fixed as follows:

United States.....	20.44 per cent
Great Britain.....	20.44 per cent
France	15. per cent
Italy	10. per cent
Belgium	5. per cent
Total	70.88 per cent

This leaves 29.12 per cent to be divided among the allied and associated powers when peace comes into force. How this 29.12 per cent may be divided cannot now be stated. When peace comes into force there will remain say 14,800 tons to be apportioned between the allied and associated powers, being the difference between 5,200 tons already apportioned, and the total of 20,000 tons. Whether or not the United States will accept an apportionment either of the 29.12 per cent, or of the 14,000 tons, is not yet ascertainable.

The second source is the German manufacturers themselves, who voluntarily, also on October 4, gave to the representative of this Government, Dr. Charles H. Herty, an option covering vat colors and other colors, which the State Department subsequently

agreed could be accepted by the Textile Alliance, Inc., in its official capacity. The Textile Alliance, Inc., on the 14th of November, subsequently accepted the offer through the intermediation of the State Department. This is hereafter referred to as the Cartel option. Its importance lies in the fact that the quantity of dyes immediately obtainable through the reparation source, is relatively small and it was the intent and desire of the State Department and of the advisory committee thus to provide the difference between the available supply from the reparation commission and the American consumers' requirements, for the six months' period to which the present arrangement between the Alliance and the State Department applies, at prices which appear to be reasonable and with a promptitude which the offer of the German manufacturers seemed to assure.

The Alliance's instructions with reference to the distribution of these colors have already been given, but attention is again called to the fact that in this respect the Alliance has no discretion. It must make a distribution among the applicants in proportion to the quantities shown by their allocation certification.

The three principal objections raised before the committee to the procedure of the Alliance were as follows: The first objection was the Textile Alliance cannot fix a definite price for the dyes to be imported through it. The reason for this is that while the price to be paid to the Reparation Commission is known in marks, the rate of exchange is not and cannot be fixed. It has declined from about five cents, when the negotiations began, to the present level of about a cent and three-quarters. The payment will be made at the rate of exchange prevailing on the date that the dyes are delivered. In addition to this, while the insurance and freight may be calculated within reasonable limits, they cannot be contracted for exactly, nor can the Alliance tell how long the present arrangements will last or what its operating expenses will be. Obviously, the ratio of expenses to the business done will be largely affected by the amount of business passing through its hands, which it is likewise unable to estimate. Since the Alliance is operating at cost, and has agreed to return the unexpended balance of commissions, if any, to those who have paid them, it is not in a position, as a dealer would be, to add a lump sum more than expenses to cover all possible risks, and pocket the saving as its profit.

The most uncertain factor in the cost of the reparation dyes is the duty. It had been hoped that in view of their official source and method of importation, they could be entered at cost.

A rule received from the Treasury Department on December 12, states:

"The President's proclamation under which collectors are required to accept invoices and estimated duties based upon the consular certificates of depreciation attached to the invoice, has no relation to the question of the foreign market value of the merchandise. It merely determines what is the entered value. Duty, however, is not assessed upon the entered value if the appraised value is higher. It might well be that, in the case of an importation shown by the consular certificate attached to the invoice to be paid in depreciated currency, the appraiser, in finding the value, would return a value very much in excess of the value stated in the invoice. * * * Furthermore, the department has issued no instructions to collectors as to the foreign market value of the merchandise."

It is obviously impossible for the Textile Alliance to estimate the cost of reparation dyes under these conditions of uncertainty, for, assuming the entered value to be \$35,000.00, the appraised value may well be \$4,000,000.00, and instead of paying duties of approximately \$10,000.00, the collector may demand \$120,000.00. Within narrower limits, this difficulty may also apply to the colors obtained from the Cartel offer.

The second objection raised at the hearings relates to payment required in advance for vat dyes. The German manufacturers refused to extend credits, as I am informed by Mr. Herman A. Metz, even to their own agents in this country. The Alliance had every reason to expect prompt shipment particularly of the reparation colors, as it had provided that they should be shipped in bulk. It considered arranging with bankers for such credit as would enable it to give consumers some time for payment, if not the usual dealers' terms. The difficulties were too great, and as the Alliance is acting purely as the agent of the American interests concerned, it felt that they should finance each his own importation. In the case of non-vat colors there has been no such reason for haste or to expect such prompt shipments, and arrangements were therefore made that banker's credits promptly available might be substituted for cash at the convenience of each consumer. It is probable that the committee, and certain that the officers of the Alliance will desire to follow this course with all importations in the future.

Complaint was also made of unnecessary delays in the work of the Textile Alliance and of the War Trade Board Section. We can deal only with the former and respectfully submit that in this matter consumers are themselves largely to blame and that the rest of the blame rests upon the shoulders of Messrs. Kutt-

roff, Pickhardt and Company, whose representative, Mr. Paul Pickhardt, today appeared before the committee. Many of the descriptions submitted to the Alliance are incomplete or fail to state that if the dye is not available in paste form, it may be used as a powder. Many documents are incomplete as to signature or in execution, or require amendment as the consumer forwards successive additions to his list. Messrs. Kuttroff, Pickhardt & Co., are also largely responsible for the delay, as the following statement will show. On October 10th, the State Department sent to all holders of vat dyes certificates issued up to that date a notice of the appointment of the Textile Alliance, Inc., as its exclusive representative in connection with Reparation dyes. On October 28th, the Textile Alliance notified the trade of its arrangements. In the meantime, holders of certificates had largely assigned them to Messrs. Kuttroff, Pickhardt & Company, and to Messrs. Herman A. Metz and Company, who on account of the low price obtainable through the War Trade Board Section, considered it advisable in the interest of their customers that their certificates should be assigned to the Textile Alliance. On the 5th of November, representatives of both firms were requested to assign them directly to the Textile Alliance. Mr. Metz did so, and at all times since has lent his cordial cooperation. Messrs. Kuttroff, Pickhardt and Co., returned the licenses to the holders of the allocation certificates. This necessitated that they should again be returned to Messrs. Kuttroff, Pickhardt and Co., for cancellation, before the War Trade Board would issue new licenses in favor of the Textile Alliance. This was the first of a series of steps on the part of this firm, the effect of which was to cause doubt, uncertainty and delay in the relations between the Textile Alliance and the trade. Thus, on November 19, the counsel of Messrs. Kuttroff, Pickhardt and Co., called upon the Textile Alliance for the purpose of suggesting that the Alliance should make use of vat dye licenses assigned to it only for the purpose of securing the available reparation dyes, and that the unissued portions should be returned to the consumers in order that the German importers might import the remainder through their regular channels. In consideration, he offered that if Messrs. Kuttroff, Pickhardt and Co.'s colors should arrive before those of the Textile Alliance coming from the Badische Anilin and Soda-Fabrik, to hold the Textile Alliance harmless from losses in case such dyes should be found to be in excess of consumers' requirements. Their representative said that he understood that thirty per cent of American requirements would be satisfied from the raparation source, and the remainder from the Cartel offer. He recommended that the

Cartel offer be allowed to lapse, as it was his opinion that the deficit in consumers' requirements should be made up through the usual commercial importing channels. Nevertheless, on the 22d of November, Messrs. Kuttroff, Pickhardt and Co. issued a circular in which they cast doubt upon the existence of any such option as their representative had discussed with the Alliance, and specifically stated that it did not apply to indanthrene colors. So the Alliance was obliged to reply on December 2, and Messrs. Kuttroff, Pickhardt and Co. have apparently continued their argument, although not in their own name, through the circulation of the memorandum referred to at the head of this letter, signed by eleven textile manufacturers, whose signatures at least in the case of one manufacturer who has repudiated the document on the ground that it was obtained by misrepresentation, were obtained by the representatives of Messrs. Kuttroff, Pickhardt and Co. This circular has been placed before the committee by Mr. Henry B. Thompson, who testified today.

With this introduction we may now deal with the statement of the circular.

On page No. 5, it is stated that Dr. Herty was sent abroad in October to complete arrangements between the Textile Alliance, Inc., and the Reparation Commission. This is untrue.

On page No. 6, it is stated that if the negotiations should be consummated the Textile Alliance, Inc., would be in a position with which no individual private concern could compete. This is true only so far as relates to the dyes obtained from the reparation source, as to which there appears to be no complaint. There is nothing known to the Alliance to prevent American importers from obtaining dyes direct from the Cartel, or from other manufacturers or markets of the world upon allocation certificates which may be assigned to them, at the price which they can persuade the makers to sell for.

On page No. 6, it is stated that the result of the negotiations would compel consumers to effect their importations exclusively through the designated official agency. However, importers may buy from the official source, as has just been shown, and it is obvious that consumers may likewise buy and import through any channel that they see fit. There is certainly nothing in any requirement of the State Department, nor in the attitude of the State Department as exhibited during two months of constant negotiations to justify this charge. The State Department has shown every evidence of a desire not to create an exclusive monopoly, excepting in so far as the dyes obtainable from the reparation source may be considered such a monopoly.

Nor is it true that the Textile Alliance, Inc., by averaging the

prices of reparation dyes with Cartel dyes, can supply the private consumer at prices lower than a private concern, meaning presumably an importing dealer, purchasing directly from the manufacturer. For either the consumer or importer may establish his own average by buying the cheap reparation dyes through the Alliance and making use of his license to buy the remainder of his requirements elsewhere. And many have already indicated their intent to do this with the entire approval of everyone concerned.

This being so, the statements made on page No. 7 are obviously without force. There is nothing, for instance, to prevent importers who have established credits abroad and have incurred other heavy expenses from making use of such credits, or of export licenses from the proper authorities abroad which may have been issued upon the faith of import licenses issued in the United States.

On page No. 8, it is stated that importers are influenced in seeking to obtain supplies of the reparation dyes by a rumor current among consumers that the Textile Alliance, Inc., would undertake to procure for any consumer all of his allotment of dyes or none at all, in other words, that the Textile Alliance, Inc., would preclude any importer from obtaining any proportion of the dyes from the reparation commission unless the consumer would empower the Textile Alliance, Inc., by assignment of his license to it to procure his full allotment. We are constrained to believe that if any such rumor was current among consumers, it was started as propaganda. No such rumors returned to the Textile Alliance, nor were there inquiries addressed to the Alliance by consumers which would indicate the existence of such a rumor. Furthermore, had there been such a rumor, importers might readily have satisfied themselves as to its baselessness. Certainly Messrs. Pickhardt and Nathan might have done so in their conversations with the officers of the Alliance on November 10 and 19.

The eleven signatories of the memorandum might also have satisfied themselves had they desired to do so. As a matter of fact three of them, in spite of the statements in the memorandum, finally ordered reparation vat dyes, but no other vat dyes, and the unused balances of their import licenses, which they first placed with the Alliance, and later countermanded, will be available to them for import from other sources. Five of the signatories did not approach the Alliance in any manner by correspondence, or otherwise. One had only lately filed his allocation certificates with us, but no order as yet. Two placed with the Alliance their full order for vat dyes so far as known. This

in itself goes far to destroy any weight that might otherwise attach to the sincerity of the memorandum.

On page 9, paragraph 1, it is claimed that the Textile Alliance, Inc., may give a friendly consumer the dye it seeks, while on an unfriendly consumer it may force a substitute, or to discriminate between the consumer and his agent as to the kind of dye it will allot to each license. This statement shows complete ignorance of the arrangements made by the War Trade Board Section of the Department of State, which has kept in its own hands the "allotting" or "allocation" of dyes. The Textile Alliance, Inc., has no power in such a case, except to distribute the available supply of each separate dye to holders of licenses in proportion to the amounts called for by the licenses and the allocation certificates.

Mr. T. A. Harris was, therefore, under a misapprehension when he said to the committee that the Textile Alliance had delayed in allotting dyes on his application. His order to the Textile Alliance was dated December 9, received on December 10, and answered December 11, and that is all the correspondence, so far as we can ascertain by telephone, that the Textile Alliance has had with Mr. Harris' firm.

The most serious cause of annoyance, apparently, to the signatories of the memorandum, although they are all consumers of dyes, is the fact that the Alliance must, under its instructions from the State Department, sell to the consumers and to the importers at the same price and at cost, which may be lower than the importers' own prices. To this the Alliance must plead guilty. It is not true that the importer, as stated on page No. 8, must sell to his consumer at a price higher than that quoted by the Alliance. He may do so if he chooses, that practice being expressly authorized by the State Department as to dyes imported through the Alliance by importers. There is nothing whatever to prevent an importer from importing dyes on allocation certificates assigned to him and on licenses obtained by him from other sources than the Cartel and the reparation sources, selling them at whatever prices he may choose. This fact was recognized on the 19th of November by the counsel for Kuttroff, Pickhardt & Company, Inc., when he proposed to the officers of the Textile Alliance, Inc., that the Cartel option should be allowed to lapse, and undertook in case the Alliance should accept the suggestion to hold the Alliance harmless from losses in case dyes imported by the Alliance should be found to be in excess of consumers' requirements after the arrival of Messrs. Kuttroff, Pickhardt and Company's own importations.

As the memorandum reiterates on pages Nos. 10 and 11 that

consumers have expressed their wish that they do not desire to procure dyes through Government agencies, and that consumers are deprived of free choice, and that there is a feeling of dissatisfaction, it may be reaffirmed that the Textile Alliance, Inc., regrets the dissatisfaction, that it believes it to be due in large part to misrepresentation and misunderstanding, and that there has been no compulsion and will be no compulsion or interference with such use of allocations and import licenses as consumers may wish to make even where they may have been assigned to the Textile Alliance, Inc., unless upon the faith of such action by the consumers the Textile Alliance, Inc., shall have entered into financial engagements or commitments by which it is bound.

The Textile Alliance or its officers have no quarrel with those who are opposed to the licensing of imports as in the case of Colonel Wood, Mr. Metz, or others, or with those who desire to protect and maintain their business as importers of dyes or of other commodities. It makes this statement solely for the purpose of correcting the misapprehension which the pamphlet and the proceedings of the committee have given rise.

At the close of the case presented by George Deming, Esq., he offered, among other exhibits, a letter from the Textile Alliance, Inc., to the Franklin Process Company. The letter in question is as follows:

November 28, 1919.

FRANKLIN PROCESS COMPANY,
Providence, R. I.

GENTLEMEN:

I am directed to acknowledge receipt of your telegram of November 28, and to inform you that you must decide for yourselves whether the risks and disadvantages attendant upon the importation of dyestuffs through the Textile Alliance are sufficiently compensated by the advantages that you may gain thereby.

As the Textile Alliance is acting in a quasi-official capacity on behalf of the State Department, its officers do not consider themselves in a position to refuse to accept such business as you may tender on equal terms with other consumers. You may, however, accept this assurance that such business as they may be compelled to transact with you will be exceedingly distasteful to them.

Yours, respectfully,

TEXTILE ALLIANCE, INC.

The president of the Textile Alliance takes the responsibility:

for this letter. It was written to a firm which had made a request for special privileges not available to others and which had expressed a complete lack of confidence in the management and integrity of the Alliance. It may be added that in spite of this attitude on their part, they obtained every advantage to which they were legitimately entitled.

Respectfully submitted,

TEXTILE ALLIANCE, INC.,
By ALBERT M. PATTERSON,
President.



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